

CHAPTER 612—H.F.No.1110

[Coded]

An act relating to commerce; providing for the registration and regulation of franchises by the commissioner of securities; requiring certain disclosures; defining and prohibiting unfair practices; providing penalties.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. **[80C.01] FRANCHISES; REGISTRATION AND REGULATION; DEFINITIONS.** Subdivision 1. As used in sections 1 to 22, the terms defined in this section have the meanings here given them.

Subd. 2. "Advertisement" means any written or printed communication or any communication by recorded telephone message, radio, television, picture or similar means published in connection with a sale of, or offer to sell, any franchise.

Subd. 3. "Commissioner" means the commissioner of securities of the department of commerce.

Subd. 4. "Franchise" means a contract or agreement, either express or implied, whether oral or written, for a definite or indefinite period, between two or more persons:

(a) by which a franchisee is granted the right to engage in the business of offering or distributing goods or services using the franchisor's trade name, trademark, service mark, logotype, advertising, or other commercial symbol or related characteristics;

(b) in which the franchisor and franchisee have a community of interest in the marketing of goods or services at wholesale, retail, by lease, agreement, or otherwise; and

(c) for which the franchisee is required to pay, directly or indirectly, a franchise fee.

"Franchise" does not include any business which is operated under a lease on the premises of the lessor as long as such business is incidental to the business conducted by the lessor on such premises, including, without limitation, leased departments and concessions. Notwithstanding anything herein to the contrary, "franchise" shall include a contract, lease or other agreement whereby the franchisee is granted the right to market motor vehicles or motor vehicle fuel.

Subd. 5. "Franchisee" means a person to whom a franchise is granted. Unless otherwise stated herein, franchisee shall also include subfranchisor.

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Subd. 6. "Franchisor" means a person who grants a franchise or an area franchise.

Subd. 7. "Area franchise" means any contract or agreement between a franchisor and a subfranchisor whereby the subfranchisor is granted the right, for consideration given in whole or in part for such right, to sell or negotiate the sale of franchises in the name or in behalf of the franchisor. Unless specifically stated otherwise, "franchise" includes "area franchise."

Subd. 8. "Subfranchisor" means a person to whom an area franchise is granted.

Subd. 9. "Franchise fee" means any fee or charge that a franchisee or subfranchisor is required to pay or agrees to pay for the right to enter into a business or to continue a business under a franchise agreement, including, but not limited to, the payment either in lump sum or by installments of an initial capital investment fee, any fee or charges based upon a percentage of gross or net sales whether or not referred to as royalty fees, any payment for goods or services, or any training fees or training school fees or charges; provided, however, that the following shall not be considered the payment of a franchise fee:

(a) The purchase of goods or agreement to purchase goods at a bona fide wholesale price;

(b) The purchase of goods or agreement to purchase goods on consignment, if the proceeds remitted by the franchisee from any such sale shall reflect only the bona fide wholesale price of such goods;

(c) The repayment by the franchisee of a bona fide loan made to the franchisee from the franchisor;

(d) The purchase of goods or agreement to purchase goods at a bona fide retail price subject to a bona fide commission or compensation plan that in substance reflects only a bona fide wholesale transaction;

(e) The purchase, at their fair market value, of supplies or fixtures or agreement to so purchase supplies or fixtures necessary to enter into the business or to continue the business under the franchise agreement;

(f) The purchase or lease, at the fair market value, of real property or agreement to so purchase or lease real property necessary to enter into the business or to continue the business under the franchise agreement;

Subd. 10. "Fraud and deceit" are not limited to common law *fraud and deceit*.

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Subd. 11. "Order" means a consent, authorization, approval, prohibition or requirement, or other order applicable to a specific case, issued by the commissioner.

Subd. 12. "Person" means a natural person, corporation, partnership, trust, or other legal entity.

Subd. 13. "Publish" means publicly to issue or circulate by newspaper, mail, radio, or television, or otherwise to disseminate to or place before the public.

Subd. 14. "Rule" means any published rule or regulation adopted by the commissioner in accordance with Minnesota Statutes, Chapter 15.

Subd. 15. "Sale" or "sell" includes every contract or agreement for the sale of, and every contract to sell or dispose of, a franchise or interest in a franchise for value.

Subd. 16. "Offer" or "offer to sell" includes every attempt to offer to dispose of, and every solicitation of an offer to buy, a franchise or interest in a franchise for value.

Sec. 2. [80C.02] **REGISTRATION REQUIREMENT.** No person may offer or sell any franchise in this state unless there is an effective registration statement on file in accordance with the provisions of this act or unless the franchise or transaction is exempted under section 3.

Sec. 3. [80C.03] **EXEMPTIONS.** The registration requirement imposed by section 2 shall not apply to the following:

(1) The offer or sale by a franchisee of a franchise owned by him, or the offer or sale by a subfranchisor of the entire area franchise owned by him if the sale is not effected by or through a franchisor; provided, however, that no person shall make more than one sale during any period of 12 consecutive months of a franchise or area franchise granted by a single franchisor. A sale is not effected by or through a franchisor merely because a franchisor has a right to approve or disapprove a different franchisee;

(2) Any transaction by an executor, administrator, sheriff, receiver, trustee in bankruptcy, guardian or conservator;

(3) Any offer or sale to a banking organization, financial organization or life insurance corporation within the meanings given these terms by Minnesota Statutes, Section 345.31.

(4) Securities currently registered in this state pursuant to Minnesota Statutes, Chapter 80.

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Sec. 4. [80C.04] APPLICATION FOR REGISTRATION. Subdivision 1. An application for registration of a franchise shall be made by filing with the commissioner a proposed public offering statement accompanied by a fee of \$250. The public offering statement shall contain the following:

(a) The name of the franchisor, the name under which the franchisor is doing or intends to do business, and the name of any parent or affiliated person that will engage in business transactions with franchisees;

(b) The franchisor's principal business address, the address of its agent in this state authorized to receive service of process, and a consent to service of process as required by section 20, if applicable;

(c) The business form of the franchisor, whether corporate, partnership or otherwise, and the state or other sovereign power under which the franchisor is organized;

(d) Such information concerning the identity and business experiences of persons affiliated with the franchisor as the commissioner may by rule prescribe;

(e) A statement whether the franchisor or any person identified in the public offering statement:

(1) Has during the ten year period immediately preceding the date of the public offering statement been convicted of a felony, pleaded nolo contendere to a felony charge, or been held liable in a civil action by final judgment if such felony or civil action involved fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices or misappropriation of property;

(2) Is subject to any currently effective order of the United States Securities and Exchange Commission or the securities administrator of any state denying registration to or revoking or suspending the license or registration of such person as a securities broker, dealer, agent, or investment adviser, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange;

(3) Is subject to any currently effective order or ruling of the Federal Trade Commission;

(4) Is subject to any currently effective injunctive or restrictive order relating to the business which is the subject of the franchise offered or any other business activity as a result of an action brought by any public agency or department; or

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(5) Has any civil or criminal actions pending against him involving fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices or misappropriation of property.

Such statement shall set forth the court and date of conviction or judgment, any penalty imposed or damages assessed, the date, nature and issuer of any orders, and the court, nature, and current status of any pending action.

(f) The business experience of the franchisor, including the length of time the franchisor has conducted a business of the type to be operated by the franchisees, has granted franchises for such businesses, and has granted franchises in other lines of business.

(g) A balance sheet of the franchisor as of the end of the franchisor's most recent fiscal year and an income statement for the period ending on the date of such balance sheet, both audited by an independent certified public accountant; and, if the fiscal year-end of the franchisor is in excess of 90 days prior to the date of filing the application, a balance sheet and income statement, which may be unaudited, as of a date within 90 days of the date of the application. The commissioner may by rule or order prescribe the form and content of financial statements required under this subsection and the circumstances under which consolidated financial statements may or shall be filed, and may waive the requirement of audited financial statements;

(h) A copy of the entire franchise contract or agreement proposed for use, including all amendments thereto;

(i) A statement of the franchise fee charged, the proposed use of the proceeds of such fee by the franchisor, and the method or formula by which the amount of the fee is determined if the fee is not the same in all cases;

(j) A statement describing any payments or fees other than franchise fees that the franchisee or subfranchisor is required to pay to the franchisor, including royalties and payments or fees which the franchisor collects in whole or in part on behalf of a third party;

(k) A statement of the conditions under which the franchise agreement may be terminated or renewal refused or repurchased at the option of the franchisor, any limitations on the right of the franchisee to sell, transfer, assign, move, renew or terminate the franchise, and a description of the provisions regarding franchisee equity upon sale, termination, refusal to renew, or repurchase;

(l) A statement whether, by the terms of the franchise agreement or by other device or practice, the franchisee or subfranchisor is required to purchase from the franchisor or person

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designated by the franchisor, services, supplies, products, fixtures or other goods relating to the establishment or operation of the franchise business, together with a description thereof;

(m) A statement of any restriction or condition imposed by the franchisor whether by the terms of the franchise agreement or by other device or practice of the franchisor whereby the franchisee is limited in the goods or services offered by him to his customers;

(n) A statement of the terms and conditions of any financing arrangements when offered directly or indirectly by the franchisor or his agent or affiliate;

(o) A statement of any past or present practice or of any intent of the franchisor to sell, assign or discount to a third party any note, contract or other obligation of the franchisee or subfranchisor in whole or in part;

(p) A copy of any statement of estimated or projected franchisee earnings prepared for presentation to prospective franchisees or subfranchisors, or other persons, together with a statement setting forth the data upon which such estimation or projection is based.

(q) A statement describing the training program, supervision and assistance the franchisor has provided and will provide the franchisee;

(r) A statement of any compensation or other benefit given or promised to a public figure arising, in whole or in part, from the use of the public figure in the name or symbol of the franchise or the endorsement or recommendation of the franchise by the public figure in advertisements, and the extent to which such public figure is involved in the actual management of the franchisor;

(s) A statement of the number of franchises presently operating and proposed to be sold;

(t) A statement whether franchisee or subfranchisors receive an exclusive area and territory, and if so, a map thereof; and

(u) Such other information as the commissioner may require;

(v) When the franchises to be registered are proposed to be offered and sold by a subfranchisor or his agents, the application shall also include the same information concerning the subfranchisor as is required concerning the franchisor pursuant to this section.

Subd. 2. To the extent that such document is currently accurate, any document filed under sections 1 to 22 may be incorporated by reference in a subsequent application filed under

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this section if it was filed within two years prior to the filing of such subsequent application or is otherwise available in the files of the commissioner.

Sec. 5. [80C.05] REGISTRATION PROVISIONS. Subdivision 1. Every application for registration, including amendments thereto, and annual report shall be signed and verified by the applicant and by the franchisor and subfranchisor on whose behalf the offering is to be made.

Subd. 2. The commissioner shall have power to place such conditions, limitations, and restrictions on any registration as may be necessary to carry out the purposes of sections 1 to 22. Upon compliance with the provisions of sections 1 to 22 and other requirements of the commissioner, and if the commissioner finds no ground for denial of the registration, the commissioner shall register the franchise. Registration shall be by entry in a book called Register of Franchises, which entry shall show the franchise registered and for whom registered, and shall specify the conditions, limitations, and restrictions upon such registration, if any, or shall make proper reference to a formal order of the commissioner on file showing such conditions, limitations, and restrictions. The registration shall become effective upon issuance by the commissioner of an order for registration.

Subd. 3. If the commissioner finds that the applicant has failed to demonstrate that adequate financial arrangements have been made to fulfill obligations to provide real estate, improvements, equipment, inventory, training or other items included in the offering, the commissioner may by rule or order require the escrow or impoundment of franchise fees and other funds paid by the franchisee or subfranchisor until no later than the time of opening of the franchise business.

Sec. 6. [80C.06] PUBLIC OFFERING STATEMENT. Subdivision 1. Except as required by this act, no portion of the public offering statement shall be underscored, italicized, printed in larger or bolder type than the balance of the statement unless the commissioner requires or permits it. The public offering statement shall recite in bold-face type of not less than ten-point type that registration of this franchise does not constitute approval or recommendation of the franchise by the commissioner.

Subd. 2. In addition to the information required by section 4 to be included in the public offering statement, the commissioner may by rule or order require that specified portions of the public offering statement be emphasized by italics, bold-faced type or other means, that earnings or sales projections or estimations be qualified by appropriate legend and by the filing with the commissioner of such other information or documents as are necessary or

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appropriate in the public interest or for the protection of prospective franchisees or subfranchisors and may require that such additional information or documents be furnished to prospective franchisees or subfranchisors as part of the public offering statement.

Subd. 3. The commissioner may by rule or order provide that any information required by section 4 to be included in the public offering statement need not be included in respect of any class of franchisees if he finds that such information is inappropriate to such class and that disclosure adequate for the protection of prospective franchisees or subfranchisors is otherwise included within the public offering statement.

Subd. 4. The commissioner may by rule or order deem to be in full or partial compliance with this section or section 4, any public offering or similar statement which complies with the requirements of any federal law or administrative rule or with the law of any other state requiring substantially the same disclosure of information as is required under this act.

Subd. 5. Any person offering for sale or selling any franchise which is subject to the registration requirements imposed by section 2 shall, at his own expense, present to the prospective franchisee, at least 7 days prior to the execution by the prospective franchisee of any franchise or other agreement, or at least 7 days prior to the payment of any consideration by the franchisee, whichever occurs first, a copy of the current public offering statement together with a copy of all proposed agreements relating to the sale of the franchise. The franchisee shall be permitted to retain the public offering statement prior and subsequent to the execution of any franchise or other agreement. The person offering or selling the franchise shall obtain a receipt, signed by the prospective franchisee, acknowledging that he has received a copy of the public offering statement prior to the execution by him of any franchise or other agreement and prior to the payment of any consideration by him. The receipt shall be kept in the possession of the person offering or selling the franchise, subject to inspection by the commissioner, for a period of three years from the date the receipt is taken.

Subd. 6. The commissioner may require the franchisor to alter or amend the proposed public offering statement in order to assure full and fair disclosure to prospective purchasers.

Sec. 7. [80C.07] AMENDMENT OF REGISTRATION. A person with a registration in effect shall, within 30 days after the occurrence of any material change in the information on file with the commissioner, notify the commissioner in writing of the change by an application to amend the registration accompanied by a fee

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of \$50. The commissioner may by rule define what shall be considered a material change for such purposes, and may determine the circumstances under which a revised public offering statement must accompany the application. If the amendment is approved by the commissioner, it shall become effective upon the issuance by the commissioner of an order amending the registration.

Sec. 8. [80C.08] ANNUAL REPORT. Subdivision 1. Within 30 days after each annual anniversary date of an order for registration, the registrant shall file a report in the form prescribed by rule of the commissioner. A fee of \$100 shall accompany the annual report.

Subd. 2. Failure to file the annual report and pay the fee shall constitute cause for cancellation of the registration. In the event of such cancellation, registration may be reinstated at a subsequent date following filing of the report and payment of the fee.

Sec. 9. [80C.09] ADVERTISING. Subdivision 1. No person shall publish or cause to be published in this state any advertisement offering a franchise subject to the registration requirements of sections 1 to 22 unless a true copy of the advertisement has been filed in the office of the commissioner at least three business days prior to the first publication thereof, or at such later time as the commissioner by rule or order may allow, unless such advertisement has been exempted by rule of the commissioner.

Subd. 2. No person shall publish or cause to be published in this state any advertisement concerning any franchise after the commissioner has found that the advertisement contains any statement that is false or misleading or omits to make any statement necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and has so notified the person by written order. The order may be issued without prior notice or hearing. At any time after the issuance of the order, the person desiring to use the advertisement may in writing request a hearing on the order. Upon the receipt of such a written request, the matter shall be set for hearing to commence within 15 days after such receipt unless the person making the request consents to a later date. After the hearing, which shall be conducted in accordance with the provisions of Minnesota Statutes, Chapter 15, the commissioner shall, by written order, either affirm, modify, or vacate the order.

Sec. 10. [80C.10] BOOKS, RECORDS AND ACCOUNTS. Every franchisor or subfranchisor offering franchises for sale in this state shall at all times keep and maintain a complete set of books, records and accounts of such sales, which shall at all times be open to inspection by the commissioner.

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Sec. 11. [80C.11] **OPINIONS, APPRAISALS, AND REPORTS.** The commissioner may accept and act upon the opinions, appraisals and reports of any independent engineers, appraisers, or other independent experts which may be presented by an applicant or any interested party, on any question of fact concerning or affecting the franchises proposed to be offered and sold. The commissioner may also have any or all matters concerning or affecting such franchises investigated, appraised, passed upon and certified by engineers, appraisers or other experts selected by him.

Sec. 12. [80C.12] **DENIAL, SUSPENSION OR REVOCATION OF REGISTRATIONS OR EXEMPTIONS.** Subdivision 1. The commissioner, with or without prior notice or hearing, may issue a cease and desist order and may issue an order denying, suspending or revoking any registration, amendment or exemption if he finds any of the following:

(a) That the applicant, registrant or franchisor or any officer, director, agent or employee thereof or any other person has violated or failed to comply with any provision of sections 1 to 22 or any rule or order of the commissioner;

(b) That the offer, sale, or purchase of the franchise would constitute misrepresentation to or deceit or fraud upon purchasers thereof, or has worked or tended to work a fraud upon purchasers or would so operate;

(c) That the applicant, registrant or franchisor or any officer, director, agent or employee thereof or any other person is engaging or about to engage in false, fraudulent or deceptive practices in connection with the offer and sale of a franchise;

(d) That any person identified in a public offering statement has been convicted of an offense described in section 4, clause (5), or is subject to an order, or has had a civil judgment entered against him as described in section 4, clause (5), and the involvement of the person in the business of the applicant or franchisor creates a substantial risk to prospective franchisees;

(e) That the financial condition of the franchisor adversely affects or would adversely affect the ability of the franchisor to fulfill its obligations under the franchise agreement;

(f) That the franchisor's enterprise or method of business includes or would include activities which are illegal where performed;

(g) That the method of sale or proposed method of sale of franchises or the operation of the business of the franchisor or any term or condition of the franchise agreement or any practice of the franchisor is or would be unfair or inequitable to franchisees.

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Subd. 2. Upon the entry of an order under subdivision 1 without a hearing, the commissioner shall promptly serve a copy of the order upon the subject applicant, registrant, franchisor or other person. The order shall state the reasons for its issuance and shall either order a hearing, which shall be set for no later than 20 days from the date of the order, or specify that upon the written request of the applicant, registrant, franchisor, or other person, the matter will be set for hearing within 15 days after receipt of the request; provided that with the consent of the applicant, registrant, franchisor or other person a hearing may be held subsequent to the expiration of either period specified herein. If no hearing is requested and none is ordered by the commissioner, the order will remain in effect until it is modified or vacated by the commissioner. If a hearing is requested or ordered, the commissioner, after notice and hearing in accordance with the provisions of Minnesota Statutes, Chapter 15, shall affirm, modify or vacate the order.

Subd. 3. As an alternative to the procedure prescribed in subdivision 2, the commissioner may issue an order to show cause setting a hearing and requiring an applicant, registrant, franchisor or other person to appear and show cause why a cease and desist order should not be issued, or why an order denying, suspending or revoking a registration, amendment or exemption should not be issued. The order to show cause shall give reasonable notice of the time and place for hearing thereon, and shall state the reasons for the entry of the order. The hearing shall be conducted in accordance with the provisions of Minnesota Statutes, Chapter 15. After the hearing, the commissioner shall enter an order making such disposition of the matter as the facts require.

Subd. 4. In any proceeding under sections 1 to 22, the burden of proving an exemption or exception from a definition is upon the person claiming it.

Sec. 13. [80C.13] PROHIBITED PRACTICES. Subdivision 1. No person may make or cause to be made any untrue statement of a material fact in any application, notice, report, or other document filed with the commissioner under sections 1 to 22, or omit to state in any such application, notice, report or other document any material fact which is required to be stated therein, or fail to notify the commissioner of any material change as required by section 7.

Subd. 2. No person may offer or sell a franchise in this state by means of any written or oral communication which includes an untrue statement of a material fact or which omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

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Subd. 3. No person may represent or cause to be represented to any prospective purchaser of a franchise that the filing of any document under sections 1 to 22 or the registration or exemption from registration of a franchise constitutes a finding by the commissioner that any document filed under sections 1 to 22 is true, complete, and not misleading, or that the commissioner has passed in any way upon the merits of any franchise, and no person may represent that a franchise is registered or exempted from registration when in fact, such is not the case.

Sec. 14. [80C.14] UNFAIR PRACTICES. No person, whether by means of a term or condition of a franchise or otherwise, shall engage in any unfair or inequitable practice in contravention of such rules as the Commissioner may adopt defining as to franchises the words "unfair and inequitable". Any violation of this section is enjoined by a court of competent jurisdiction.

Sec. 15. [80C.15] INVESTIGATIONS; PROCEEDINGS. Subdivision 1. The commissioner may make such public or private investigations within or outside of this state as he deems necessary to determine whether any person has violated or is about to violate any provision of sections 1 to 22 or any rule or order thereunder, or to aid in the enforcement of sections 1 to 22 or in the prescribing of rules and forms thereunder, and may publish information concerning the violation of sections 1 to 22 or any rule or order thereunder.

Subd. 2. For the purpose of any investigation or proceeding under sections 1 to 22, the commissioner or any person designated by him may administer oaths and affirmations, subpoena witnesses and compel their attendance, take evidence and require the production of any books, papers, correspondence, memoranda, agreements or other documents or records which the commissioner deems relevant or material to the inquiry.

Subd. 3. No person is excused from attending and testifying or from producing any document or record before the commissioner, in obedience to the subpoena of the commissioner or any person designated by him in any proceeding instituted by the commissioner, on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual may be prosecuted or subjected to any penalty or forfeiture for an account of any transaction, matter or thing concerning which he is compelled, after claiming his privilege against self-incrimination, to testify or produce evidence, except that the individual testifying is not exempt from prosecution and punishment for perjury or contempt committed in testifying.

Subd. 4. In case of contumacy by, or refusal to obey a subpoena to, any person, the district court, upon application by the commissioner, may issue to the person an order directing him to

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appear before the commissioner or the officer designated by him, there to produce documentary evidence if so ordered or to give evidence touching the matter under investigation or in question. Failure to obey the order of the court may be punished by the court as a contempt of court.

Sec. 16. [80C.16] ENFORCEMENT; PENALTIES AND REMEDIES. Subdivision 1. Whenever the commissioner has reasonable cause to believe that any person has engaged or is about to engage in any act or practice constituting a violation of any provisions of sections 1 to 22 or any rule or order thereunder, he may, in addition to all other remedies, institute on behalf of the state of Minnesota a civil action seeking appropriate relief. In addition to all other penalties and remedies provided by sections 1 to 22, whether administrative or judicial in nature, the courts of this state shall have jurisdiction to grant such temporary, interlocutory or permanent injunctive relief as is necessary to prevent and restrain violations of sections 1 to 22, and may upon a proper showing appoint a receiver for the property, assets, business and affairs of the franchisor.

Subd. 2. Any person who violates sections 2, 6, 9, 13 or 14 shall be subject to a fine of not more than \$2,000 for each violation. Any person who fails to comply with a final judgment or order rendered by a court of competent jurisdiction, issued for a violation of sections 1 to 22, shall be subject to a fine of not more than \$25,000. The fines authorized by this subdivision shall be imposed in a civil action brought by the attorney general on behalf of the state of Minnesota, and shall be deposited into the state treasury.

Subd. 3. (a) Any person who wilfully violates any provision of sections 1 to 22 shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

(b) Any person who employs, directly or indirectly, any device, scheme or artifice to defraud in connection with the offer or sale of any franchise or engages, directly or indirectly, in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person in connection with the offer, purchase or sale of any franchise shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

(c) Nothing in this subdivision limits the power of the state to punish any person for any conduct which constitutes a crime under any other statute.

Sec. 17. [80C.17] CIVIL LIABILITY. Subdivision 1. A person who violates any provision of sections 1 to 13 and 15 to 22 or any rule or order thereunder shall be liable to the franchisee or subfranchisor who may sue for damages caused thereby, for rescission, or other relief as the court may deem appropriate.

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Subd. 2. Every person who directly or indirectly controls a person liable under subdivision 1 of this section, every partner in a firm so liable, every principal executive officer or director of a corporation so liable, every person occupying a similar status or performing similar functions and every employee of a person so liable who materially aids in the act or transaction constituting the violation is also liable jointly and severally with and to the same extent as such person, unless the person who would otherwise be liable hereunder had no knowledge of or reasonable grounds to know of the existence of the facts by reason of which the liability is alleged to exist.

Subd. 3. Any suit authorized under this section may be brought to recover the actual damages sustained by the plaintiff together with costs and disbursements plus reasonable attorney's fees.

Subd. 4. Except as explicitly provided in this section, no civil liability in favor of any private party shall arise against any person by implication from or as a result of the violation of any provision of sections 1 to 22 or any rule or order thereunder. Nothing herein shall limit any liability which may exist by virtue of any other statute or under common law if this act were not in effect.

Sec. 18. **[80C.18] RULES AND REGULATIONS; COMMISSIONER TO PRESCRIBE.** Subdivision 1. The commissioner may promulgate rules and regulations to carry out the provisions of sections 1 to 22, including rules and forms governing public offering statements, applications, financial statements and annual reports, and defining any terms, whether or not used in sections 1 to 22, insofar as the definitions are not inconsistent with sections 1 to 22. The commissioner may define by rule false, fraudulent or deceptive practices in the offer and sale of franchises. For the purpose of rules and forms the commissioner may classify franchises, persons and matters within his jurisdiction, and prescribe different requirements for different classes. Rules and regulations shall be promulgated in accordance with Minnesota Statutes, Chapter 15.

Subd. 2. The commissioner may, upon request and upon payment of a fee of \$25, honor requests for interpretive opinions relating to this act.

Sec. 19. **[80C.19] SCOPE OF ACT.** Subdivision 1. The provisions of sections 1 to 22 concerning sales and offers to sell shall apply when a sale or offer to sell is made in this state or when an offer to purchase is made and accepted in this state.

Subd. 2. For the purpose of sections 1 to 22, an offer to sell or to purchase is made in this state, whether or not either party is

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then present in this state, when the offer originates from this state or is directed by the offeror to this state and received by the offeree in this state.

Subd. 3. For the purpose of this section, an offer to purchase or to sell is accepted in this state when acceptance is communicated to the offeror in this state, and has not previously been communicated to the offeror, orally or in writing, outside this state; and acceptance is communicated to the offeror in this state, whether or not either party is then present in this state, when the offeree directs it to the offeror in this state reasonably believing the offeror to be in this state and it is received by the offeror in this state.

Subd. 4. An offer to sell or to purchase is not made in this state when the publisher circulates or there is circulated in his behalf in this state any bona fide newspaper or other publication of general, regular and paid circulation which is not published in this state, or when a radio or television program originating outside this state is received in this state.

Sec. 20. [80C.20] SERVICE OF PROCESS. Every applicant for registration under sections 1 to 22 and every franchisor on whose behalf an application for registration is filed, except applicants and franchisors which are Minnesota corporations, shall file with the commissioner, in such form as he may prescribe, an irrevocable consent appointing the commissioner and his successors in office to be the applicant's or franchisor's attorney to receive service of any lawful process in any civil action against the applicant or franchisor or his successor, executor or administrator, which arises under sections 1 to 22 or any rule or order thereunder after the consent has been filed, with the same force and validity as if served personally on the applicant or franchisor or his successor, executor or administrator. Service may be made by leaving a copy of the process in the office of the commissioner, but it is not effective unless the plaintiff, who may be the commissioner in an action instituted by him, forthwith sends notice of the service and a copy of the process by certified mail to the defendant or respondent at his last address on file with the commissioner, and the plaintiff's affidavit of compliance with this subsection is filed with the court at the time of the filing of the complaint.

When any person, including any non-resident of this state and any foreign corporation, engages in conduct prohibited or made actionable by this act, whether or not he has filed a consent to service of process, and personal jurisdiction over him cannot otherwise be obtained in this state, that conduct shall be considered equivalent to his appointment of the commissioner and his successors in office to be his agent to receive service of any lawful process in any suit against him or his successor, executor or

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administrator which grows out of that conduct and which is brought under this act, with the same force and validity as if served on him personally. Service may be made by leaving a copy of the process in the office of the commissioner but it is not effective unless the plaintiff, who may be the commissioner in an action instituted by him, forthwith sends notice of the service and a copy of the process by certified mail to the defendant or respondent at his last known address on file with the commissioner and the plaintiff's affidavit of compliance with this section is filed with the court at the time of the filing of the complaint.

Sec. 21. [80C.21] **WAIVERS VOID.** Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of sections 1 to 22 or any rule or order thereunder is void.

Sec. 22. [80C.22] **ADMINISTRATION.** Subdivision 1. Sections 1 to 22 shall be administered by the commissioner of securities.

Subd. 2. It is unlawful for the commissioner or any of his officers or employees to use for personal benefit any information which is filed with or obtained by the commissioner and which is not generally available to the public. Nothing in sections 1 to 22 authorizes the commissioner or any of his officers or employees to disclose any confidential information except among themselves or to other administrators or regulatory authorities, or when necessary or appropriate in a proceeding or investigation under sections 1 to 22. No provision of sections 1 to 22 either creates any privilege or derogates from any privilege which exists at common law or otherwise, when documentary or other evidence is sought under a subpoena directed to the commissioner or any of his officers or employees.

Subd. 3. All applications, notices, reports and other documents filed with the commissioner under sections 1 to 22 shall be open to public inspection in accordance with rules prescribed by the commissioner. The commissioner may publish information filed with him or obtained by him, if, in the judgment of the commissioner, such action is in the public interest.

Subd. 4. A document is filed when it is received by the commissioner.

Subd. 5. The commissioner shall keep a register of all filings which are or have ever been effective under sections 1 to 22 and all denial, suspension, revocation and other orders which have been entered under sections 1 to 22. The register shall be open for public inspection.

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Subd. 6. The commissioner upon request shall furnish to any person at a reasonable charge photostatic or other copies, certified under his seal of office if certification is requested, of any entry in the register or any order or other document on file in his office. Any copy so certified is admissible in evidence under Minnesota Statutes, Section 600.13.

Subd. 7. Orders of the commissioner shall be served by mailing a copy thereof by certified mail to the most recent address of the recipient of the order as it appears in the files of the commissioner. Subpoenas shall be served in the same manner as provided in civil actions in the district courts.

Approved May 23, 1973.

CHAPTER 613—H.F.No.1134

An act relating to the organization and operation of state government; the powers and duties of the commissioner of iron range resources and rehabilitation; creation, powers and duties of advisory commission; appropriation of funds; amending Minnesota Statutes 1971, Sections 298.22 and 298.221.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1971, Section 298.22, is amended to read:

298.22 IRON RANGE RESOURCES AND REHABILITATION. Subdivision 1. On and after July 1, 1969, there is hereby appropriated from the general fund for the purposes hereinafter set forth, five percent of all amounts paid and credited to said fund from the proceeds of taxes paid under the provisions of law ~~relating to occupation taxes on the business of mining or producing iron ore~~ Minnesota Statutes, Sections 298.01 to 298.21. The office of commissioner of iron range resources and rehabilitation is hereby created. The commissioner shall be appointed by the governor, with the advice and consent of the senate for a four year term which shall coincide with the term of the governor until his successor is duly appointed and has qualified. The governor may remove the commissioner at any time for cause after notice and hearing. In case of a vacancy, the governor may appoint a commissioner, who shall take office immediately and shall carry on the duties of the office until the next session of the legislature,

Changes or additions indicated by underline, deletions by ~~strikeout~~.