80C.04 APPLICATION FOR REGISTRATION.

Subdivision 1. **Required filing and contents.** 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 $400. 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 80C.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

(5) has any civil or criminal actions pending against that franchisor or person 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 clause 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 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 the franchisee to the franchisee's customers;

(n) a statement of the terms and conditions of any financing arrangements when offered directly or indirectly by the franchisor or an 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;

(u) such other information as the commissioner may require; and

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

Subd. 2. **Incorporations by reference.** To the extent that such document is currently accurate, any document filed under sections 80C.01 to 80C.22 may be incorporated by reference in a subsequent application filed under 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.

Subd. 3. **Withdrawal due to inactivity.** If no activity occurs with respect to the public offering statement for a period of 120 days, the commissioner may declare by order the application withdrawn.

History: *1973 c 612 s 4; 1986 c 444; 1991 c 233 s 45; 2013 c 106 s 6*