Chapter 460-80 WAC
FRANCHISE REGISTRATION

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**DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER**

460-80-130 Franchise registration exhibits. [Order 11, § 460-80-130, filed 3/3/72.] Repealed by 80-04-036 (Order SDO-38-80), filed 3/19/80. Statutory Authority: RCW 19.100.040 (4), (7), and (20), 19.100.070(2), and 19.100.250.

WAC 460-80-050 Document filed with the director when received. A document is filed with the director when it is received by the director or by a person as the director designates by rule or order.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, filed 10/29/09, effective 11/29/09.]

WAC 460-80-060 Interpretive opinions and no-action letters. The director, in his or her discretion, may honor requests from interested persons for no-action letters and interpretive opinions pursuant to RCW 19.100.250. The following procedures must be followed in requesting a no-action letter or interpretive opinion from the director:

1. The request must be submitted to the director in writing. The letter should be captioned with the name of the party who will be relying upon the director's response and should indicate that a no-action letter or interpretive opinion is sought.
2. The requesting letter should cite the particular statutes or rules for which interpretation or no-action is sought.
3. The names of all involved companies and parties should be disclosed. The director does not issue interpretive or no-action letters relating to unnamed companies or individuals or hypothetical situations, nor on matters of pending, or in preparation for, litigation.
4. The request should be tailored to resolving the immediate issues and should not attempt to discuss every possible situation that may arise in the future.
5. The letter should be concise and contain all material facts necessary to resolve the issues at hand. Relevant supporting documents may be included, but are not a substitute for subsection (6) of this section.

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(6) It is important that the letter identify the issues at hand, the proposed resolution, and the precedents or other legal authority supporting that position.

The director may decline to respond to letters that are not prepared in accordance with the above listed procedures.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-060, filed 10/29/09, effective 11/29/09.]

**WAC 460-80-100** Notice of claim for exemption. Any franchisor or subfranchisor who claims an exemption under RCW 19.100.030 (4)(a) and (b)(i) shall file with the director a completed Annual Notice of Claim of Exemption form along with the fee prescribed in RCW 19.100.240 made payable to the treasurer of the state of Washington.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-100, filed 10/29/09, effective 11/29/09; Order 11, § 460-80-100, filed 3/3/72.]

**WAC 460-80-108** Exemption for offer and sale to accredited investors pursuant to RCW 19.100.030(5). For the purpose of the exemption of RCW 19.100.030(5), an "accredited investor" shall mean any person who comes within any of the following categories, or who the franchisor reasonably believes comes within any of the following categories, at the time of the sale of the franchise to that person:

1. Any bank as defined in section 3 (a)(2) of the Securities Act of 1933, or any savings and loan association or other institution as defined in section 3 (a)(5)(A) of the Securities Act of 1933 whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; any insurance company as defined in section 2 (a)(13) of the Securities Act of 1933; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2 (a)(48) of that act; any small business investment company licensed by the U.S. Small Business Administration under section 301 (c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

2. Any private business development company as defined in section 202 (a)(22) of the Investment Advisers Act of 1940;

3. Any organization described in section 501 (c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the franchise offered, with total assets in excess of $5,000,000;

4. Any director, executive officer, or general partner of the franchisor of the franchises being offered or sold, or any director, executive officer, or general partner of a general partner of that franchisor;

5. Any natural person whose individual net worth, or joint net worth with that person's spouse, exceeds $1,000,000.

(a) Except as provided in (b) of this subsection, for purposes of calculating net worth under subsection (5) of this section:

1. The person's primary residence shall not be included as an asset;

2. Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of the franchise, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of the franchise exceeds the amount outstanding sixty days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and

3. Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability.

(b) Subsection (5)(a) of this section will not apply to any calculation of a person's net worth made in connection with a purchase of additional franchises in accordance with a right to purchase such franchises, provided that:

1. Such right was held by the person on July 20, 2010;

2. The person qualified as an accredited investor on the basis of net worth at the time the person acquired such right; and

3. The person operated a franchise of the franchisor, other than such right, on July 20, 2010.

(6) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the franchise offered, whose purchase is directed by a sophisticated person as described in 17 C.F.R. Sec. 230.506 (b)(2)(ii); and

(8) Any entity in which all of the equity owners are accredited investors.


**WAC 460-80-110** Franchise registration application. All applications for registration, renewal or amendment of a franchise shall be in the form as provided by the director and contain the information specified therein. The application for registration, renewal or amendment must be accompanied by the fee prescribed in RCW 19.100.240 made payable to the treasurer of the state of Washington.

and 19.100.110. 09-22-050, § 460-80-110, filed 10/29/09, effective
11/29/09. Statutory Authority: RCW 19.100.040(12), 19.100.070(2) and
19.100.250. 80-04-036 (Order SDO-38-80), § 460-80-110, filed 3/19/80;
Order 11, § 460-80-110, filed 3/3/72.]

WAC 460-80-125 Franchise registration application
instructions. The following must be adhered to with respect
to all applications for registration, registration renewal or reg-
istration amendment:

1. Completion of application. An application for regis-

tration of the offer or sale of franchises shall include the fol-

lowing, all of which shall be verified by means of the pre-

scribed signature page:

(a) Application;
(b) Supplemental information page(s);
(c) Seller disclosure form;
(d) A copy of the Franchise Disclosure Document.

2. The following shall be attached to the application:
(a) A consent to service of process; and
(b) One copy of any advertising to be used in connection
with the offer or sale in this state of franchises.

3. Disclosure: The offering circular shall be prepared in
accordance with the Instructions for Preparation of the Fran-
chise Disclosure Document contained in section IV. of the
2008 Franchise Registration and Disclosure Guidelines pro-
mulgated by the North American Securities Administrators
Association, Inc. (NASAA).

4. Subfranchisors: When the person filing the applica-
tion for registration is a subfranchisor, the application shall
also include the same information concerning the subfran-
chisor as is required from the franchisor; the franchisor, as well
as the subfranchisor, shall execute a signature page.

5. Signing of application: The application shall be
signed by an officer or general partner of the applicant; how-
ever, it may be signed by another person holding a power
of attorney for such purposes from the applicant. If signed on
behalf of the applicant pursuant to such power of attorney,
the application shall include as an additional exhibit a copy of
said power of attorney or a copy of the corporate resolution
authorizing the attorney to act.

6. Manually or digitally signed consent of accountant:
All applications shall be accompanied by a manually or di-
gitally signed consent of the independent public accountants
for the use of their audited financial statements as such state-
ments appear in the offering circular.

WAC 460-80-135 Financial statements. The Fran-
chise Disclosure Document must include financial state-
ments that comply with the instructions for Item 21 of the Franchise

WAC 460-80-140 Financial statements. The Fran-
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WAC 460-80-190 Time of registration effectiveness.
A registration statement for the selling of a franchise under
RCW 19.100.060 becomes effective if no stop order is in
effect and no proceeding pending under RCW 19.100.120 at
3:00 p.m., P.S.T. on the afternoon of the 15th business day
after the filing of the registration or the last amendment or at
such earlier time as the director determines.

WAC 460-80-195 Approval is not an endorsement.
The filing of the application for registration or the effective-
ness of the registration does not constitute a finding by the
director that any document filed under the Franchise Invest-
ment Protection Act, chapter 19.100 RCW, is true, complete
and not misleading. Neither any such fact nor the fact that an

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exemption is available for a transaction means that the director has passed in any way upon the merits or qualification of, or recommended or given approval to any person, franchise or transaction.


WAC 460-80-300 Receipt of offering circular. Each person that sells a franchise that is registered or required to be registered pursuant to RCW 19.100.020 shall ensure that the Franchise Disclosure Document and other required documents are delivered to each offeree in accordance with RCW 19.100.080 and shall obtain a signed receipt therefore in the form prescribed by the director.


WAC 460-80-305 Franchise agreement addendum. Every franchisor registered or required to be registered pursuant to RCW 19.100.020 shall, in each sale of a franchise in Washington, conform its franchise agreement to the Franchise Investment Protection Act, chapter 19.100 RCW, and the rules adopted thereunder or in its franchise agreement or Franchise Disclosure Document an addendum concerning the applicability of the Franchise Investment Protection Act, chapter 19.100 RCW. The addendum shall be in the form prescribed by the director.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-305, filed 10/29/09, effective 11/29/09.]

WAC 460-80-315 Washington Franchise Disclosure Document. To implement the offering circular and disclosure requirements of RCW 19.100.030 (4)(a) and 19.100.040, the director adopts the requirements for preparing the contents of a Franchise Disclosure Document set forth in sections III. and VII. of the 2008 Franchise Registration and Disclosure Guidelines promulgated by the North American Securities Administrators Association, Inc. (NASAA).

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-315, filed 10/29/09, effective 11/29/09. Statutory Authority: RCW 19.100.250. 95-08-015, § 460-80-315, filed 3/24/95, effective 4/24/95; 92-02-054, § 460-80-315, filed 12/30/91, effective 1/30/92; 88-01-060 (Order SDO 1128-87), § 460-80-315, filed 12/17/87. Statutory Authority: RCW 19.100.040 (4), (7), and (20), and 19.100.250. 80-04-036 (Order SDO-38-80), § 460-80-315, filed 3/19/80.]

WAC 460-80-400 Impounds. The director may, by rule or order, require as a condition to the effectiveness of the registration the impound of franchise fees if he or she finds that such requirement is appropriate to protect prospective franchisees.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-400, filed 10/29/09, effective 11/29/09; Order 11, § 460-80-400, filed 3/3/72.]
WAC 460-80-460 Guarantee of performance, deferreds and other arrangements. In lieu of an impound under RCW 19.100.050, the director may accept a guarantee of the franchisor's performance under the franchise agreement by the franchisor's parent or affiliate, a surety bond, an agreement to defer payment of the franchise fee, or other arrangements to protect the interests of a franchisee acceptable to the director. Any such agreements must be in the form and content prescribed by the director.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-460, filed 10/29/09, effective 11/29/09.]

WAC 460-80-500 Advertising—Filing requirement—Timing. All advertising to be used to offer a franchise, subject to the registration requirement, for sale must be filed in the office of the director at least seven days prior to the publication.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-500, filed 10/29/09, effective 11/29/09.]

WAC 460-80-510 Advertising—Contents. All advertising to be used to offer a franchise, subject to the registration requirement, for sale is subject to the following limitations:

1. An advertisement shall not contain any statement or inference that a purchase of a franchise is a safe investment or that failure, loss, or default is impossible or unlikely, or that earnings or profits are assured.

2. An advertisement should not normally contain a projection of future franchisee earnings unless such projection is:
   (a) Based on past earnings records of all franchisees operating under conditions, including location, substantially similar to conditions affecting franchises being offered;
   (b) For a reasonable period only; and
   (c) Is substantiated by data which clearly supports such projections.

3. An advertisement should normally contain the name and address of the person using the advertisement.

4. If the advertisement contains any endorsement or recommendation of the franchises by any public figure, whether express or implied (for example, by the inclusion of such person's photograph or name in the advertisement), full disclosure shall be made of any compensation or other benefit given or promised by the franchisor or any person associated with the franchisor to such person, directly or indirectly. The disclosure required in this subsection shall be made in the same document containing the advertisement or, if such advertisement is presented on radio or television, as a part of the same program, without any intermission or other intervening material.

5. Any advertisement which refers to an exemption from or reduction in taxation under any law should be based on an opinion of counsel, and the name of such counsel should be stated in the advertisement.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-510, filed 10/29/09, effective 11/29/09.]

WAC 460-80-520 Advertising—Internet advertising and trade shows. "Advertisement" as defined under RCW 19.100.010 includes, in addition to the items expressly set forth in that provision, communications on the internet and at trade shows in connection with an offer or sale of a franchise.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-520, filed 10/29/09, effective 11/29/09.]

WAC 460-80-530 Advertising—Exception from filing requirement for internet advertising not directed into this state. Internet advertising of a franchise offering that is required to be registered in this state is not subject to the requirements for filing advertisements set forth in RCW 19.100.100 so long as the following conditions are satisfied:

1. The franchisor discloses to the director the uniform resource locator ("URL") address or similar address or device identifying the location of the internet advertising:
   (a) On the cover page of the Franchise Disclosure Document included with an application for registration that is effective in the state of Washington; or
   (b) On a notice filed with the director within five business days after publication; and

2. The internet advertising is not directed to any person in the state of Washington by, or on behalf of, the franchisor or anyone acting with the franchisor's knowledge.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-530, filed 10/29/09, effective 11/29/09.]

WAC 460-80-540 Advertising—Exception from franchise registration for internet advertisements not directed into this state. The offer or sale of a franchise via the internet is not subject to registration pursuant to RCW 19.100.020 where:

1. The offer is made pursuant to an available and perfected exemption from franchise registration; or

2. If the franchise is not registered or exempt:
   (a) The internet offer indicates, directly or indirectly, that the franchises are not being offered to residents of Washington;
   (b) The internet offer is not otherwise specifically directed to any person in this state by, or on behalf of, the franchisor or anyone acting with the franchisor's knowledge; and
   (c) No franchises are sold in Washington by, or on behalf of, the franchisor until the offering is registered and declared effective and the Washington Franchise Disclosure Document has been delivered to the offeree before the sale and in compliance with the Franchise Investment Protection Act, chapter 19.100 RCW.

[Statutory Authority: Chapter 19.100 RCW, RCW 19.100.250, 19.100.010, 19.100.030, 19.100.040, 19.100.050, 19.100.070, 19.100.080, 19.100.100, and 19.100.110. 09-22-050, § 460-80-540, filed 10/29/09, effective 11/29/09.]

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