BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

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IN THE MATTER OF:
*
EXTENSION OF FRANCHISE
REGISTRATION EFFECTIVE *
DATES BECAUSE OF
EXIGENT CIRCUMSTANCES *
CREATED BY COVID-19 *

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ORDER

WHEREAS, on March 5, 2020, the Governor of the State of Maryland has declared a state of emergency in response to the spread of the novel coronavirus known as COVID-19 (“Coronavirus State of Emergency”); and

WHEREAS, the Centers for Disease Control and Prevention and other public health authorities have advised taking precautions to reduce the possibility of exposure to the virus and the spread of the disease; and


WHEREAS, under section 14-214 (a) of the Maryland Franchise Law, a person must register the offer of a franchise with the Securities Commissioner before the person offers to sell or sells a franchise in this State; and

WHEREAS, under section 14-219 of the Maryland Franchise Law, unless a registration is renewed for a 1 year term as provided in the statute, a franchise registration expires on the first anniversary of its effective date, however, the Securities Commissioner by regulation or order,
may set a different term of registration; and

WHEREAS, under Code of Maryland Administrative Regulations (COMAR) section 02.02.08.07, if a previous franchise registration is about to expire and a renewal registration is not yet considered filed, the Securities Commissioner may extend the effective date of a registration subject to such conditions as the Securities Commissioner may prescribe for the protection of prospective franchisees; and

WHEREAS, under COMAR 02.02.08.10, exemptions from registration under the Maryland Franchise Law requiring the filing of a notice of exemption (“Notices of Exemption”) expire after a period of one year unless a new Notice of Exemption is filed with the Securities Division; and

WHEREAS, a significant number of franchise registrations and Notices of Exemptions expire during the period from March 15 to May 15 of each year; and

WHEREAS, the Maryland Governor has mandated that Maryland state employees arrange for alternative work arrangements and take other measures designed to increase social distancing in the workplace and with the public in order to limit the spread of COVID-19, which arrangements will interfere with the Securities Division’s processing of renewal registrations for the duration of the Coronavirus State of Emergency; and

WHEREAS, similar limitations are occurring in the private sector, which interfere with applicants’ ability to timely file franchise registrations with the Securities Division; and

WHEREAS, the Securities Commissioner finds that it is the public interest to issue this Order extending the expiration of certain franchise registrations and exemptions from registration provided the franchisor adheres to certain conditions designed to protect prospective
NOW, THEREFORE, the Securities Commissioner hereby ORDERS:

1. A franchisor that is registered under the Maryland Franchise Law or has been deemed exempt after filing a Notice of Exemption (“Eligible Franchisor”) but whose registration or Notice of Exemption is due to expire during the Coronavirus State of Emergency is granted an extension of that registration or Notice of Exemption for a period of time equal to 30 days after the date the Governor of Maryland declares the end of the Coronavirus State of Emergency.

2. The Securities Commissioner shall take no action against an Eligible Franchisor that offers a franchise during the Coronavirus State of Emergency using a Franchise Disclosure Document that has not been registered by the Securities Division or deemed exempt but has been updated to reflect material information not contained in the version of the Franchise Disclosure Document previously registered or deemed exempt by the Securities Division, provided:
   a. The Eligible Franchisor provides to the prospective franchisee a Franchise Disclosure Document that has been updated to reflect material information required under the Federal Trade Commission Franchise Rule, 16 CFR Part 436;
   b. The Eligible Franchisor does not enter into a franchise agreement with the prospective franchisee until the Eligible Franchisor files an updated Franchise Disclosure Document with the Securities Division as part of a registration renewal application or Notice of Exemption and has been notified by the
Securities Division that the Franchise Disclosure Document is effective for use under the Maryland Franchise Law or has been deemed exempt; and

c. At least 15 days before the prospective franchisee executes a franchise agreement with the Eligible Franchisor, the Eligible Franchisor provides to the prospective franchisee a copy of the Franchise Disclosure Document registered or deemed exempt by the Securities Division, together with a copy of any changed pages showing all revisions to the Franchise Disclosure Document the prospective franchisee received.

3. During the Coronavirus State of Emergency, franchise registration applications and Notices of Exemption filed with the Securities Division shall not be deemed automatically effective during the time periods described under the Maryland Franchise Law and the regulations promulgated thereunder, and shall only become effective on the date designated by the Securities Division.

4. Nothing in this Order waives the anti-fraud provision of section 14-229 of the Maryland Franchise Law.

5. Nothing in this Order affects any private rights of action that a franchisee or prospective franchisee may have under section 14-227 of the Maryland Franchise Law

SO ORDERED:

Commissioner’s Signature on File w/Original Documents

Dated March 17, 2020

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MELANIE SENTER LUBIN
SECURITIES COMMISSIONER