

THE CALIFORNIA CORPORATIONS COMMISSIONER HEREBY ADOPTS  
THE FOLLOWING CHANGES IN THE REGULATIONS UNDER THE  
FRANCHISE INVESTMENT LAW  
AS SET FORTH IN CHAPTER 3, TITLE 10,  
CALIFORNIA CODE OF REGULATIONS  
EFFECTIVE: MARCH 2, 2006

1. Adopt Section 310.100.4 to read:

310.100.4. Negotiated Sales Exempt Under Section 31109.1 of the Corporations Code –

Summary Description.

The summary description of each material negotiated term required by Corporations Code Section 31109.1(a)(2)(A) shall contain the following content:

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1. (a) Offering Circular Item Number: \_\_\_\_\_

(b) Description of Provisions in Currently Registered Offering Circular:  
\_\_\_\_\_

(c) Description of Change: \_\_\_\_\_

2. (a) Offering Circular Item Number: \_\_\_\_\_

(b) Description of Provisions in Currently Registered Offering Circular:  
\_\_\_\_\_

(c) Description of Change: \_\_\_\_\_

3. (a) Offering Circular Item Number: \_\_\_\_\_

(b) Description of Provision in Currently Registered Offering Circular:

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(c) Description of Change:

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(If additional space is needed, attach separate sheet(s) with respect to each additional item being changed using the above format)

NOTE: Authority cited: Section 31502, Corporations Code. Reference: Sections 31109.1 and 31114, Corporations Code.

2. Amend Section 310.101 to read:

310.101. Transactions Exempt Under Section 31101, 31104, ~~or 31108~~, or 31109 of the Corporations Code – Notice of Exemption.

(a) The Notice of Exemption required to be filed with the Commissioner of Corporations under subdivision (d) of Section 31101, ~~or subdivision (f) of Section 31108~~, or subdivision (e) of Section 31109, shall be made on the following form:

Department Use Only \_\_\_\_\_

A. Department of Corporations

Fee Paid: \$ \_\_\_\_\_

File No. \_\_\_\_\_

Receipt No. \_\_\_\_\_

(Insert file number(s) of prior filings with the Department, if any)

STATE OF CALIFORNIA  
DEPARTMENT OF CORPORATIONS  
FRANCHISE INVESTMENT LAW

NOTICE OF EXEMPTION UNDER SECTION 31101, 31104, ~~OR~~ 31108, OR 31109  
CORPORATIONS CODE

SEE INSTRUCTIONS

B. Exemption for which this notice is filed (check one):

Section 31101  Section 31104  Section 31108  Section 31109

C. Type of Filing (check one):

Initial notice \$450 fee

Consecutive subsequent notice \$150 fee

Amendment No fee

D. Calendar year for which this notice is filed: \_\_\_\_\_

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1. (a) Name of FILER: \_\_\_\_\_
- (b) Principal business address of FILER: \_\_\_\_\_
- (c) The above-named company is filing as a (check one):  
 FRANCHISOR     SUBFRANCHISOR
- (d) If FILER is a SUBFRANCHISOR, the name and principal business address of the FRANCHISOR: \_\_\_\_\_  
\_\_\_\_\_
- (e) Names(s) under which FRANCHISOR does business: \_\_\_\_\_  
\_\_\_\_\_

2. Name and address of agent in California authorized to receive service of process:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Franchise to be offered:
- (a) Name of franchise or subfranchise: \_\_\_\_\_  
Description of franchised business: \_\_\_\_\_  
Type of franchise (check one):  Franchise     Subfranchise
- (b) Name of franchise or subfranchise: \_\_\_\_\_  
Description of franchised business: \_\_\_\_\_  
Type of franchise (check one):  Franchise     Subfranchise

4. Name, title, telephone number and business address of individual to be contacted by the Department regarding this notice:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Business Address: \_\_\_\_\_

Telephone: (    ) \_\_\_\_\_

5. Date of this notice: \_\_\_\_\_

\_\_\_\_\_

Name of Filer

\_\_\_\_\_

Authorized Signature

\_\_\_\_\_

Printed Name of Signatory

(b) The following instructions apply to the form and information required by Subsection (a):

## INSTRUCTIONS FOR COMPLETING AND FILING

### NOTICE OF EXEMPTION

(Sectional references are to the California Corporations Code)

#### 1. General Instructions.

(a) The notice required of persons claiming the exemption under Section 31101, 31104, ~~or 31108, or 31109~~ may be filed at any time after July 1 of the year preceding the calendar year for which the notice is required to be filed. For example, the notice for the calendar year ~~2004~~ 2006 may be filed at any time ~~after~~ between July 1, ~~2000~~ 2005 and December 31, 2005. A notice may be filed in the same year the exemption is claimed. However, the effective date of the notice will be the date the completed notice is filed. For example, if a completed notice is filed March 21, 2006, it will be effective March 21, 2006 through December 31, 2006. The subsequent notice for 2007 should be filed prior to December 31, 2006 (by the end of the year in which the current notice is effective). A separate notice must be filed for each calendar year, together with the fee specified in Section 31500(f), prior to any offer or sale of a franchise in this state (other than a "material modification" [Section 31018(c)], for the exemption under Section 31101, ~~or 31104, 31108 or 31109~~). The notice for each claimed exemption must be filed only once for each calendar year, even if franchises are sold to one or more franchisees under the exemption claimed for that calendar year.

(b) If the notice is filed by a subfranchisor (Section 31009), the notice is applicable only to offers and sales by the subfranchisor filing the notice.

(c) No documents need be filed with the notice.

(d) If the notice form cannot be obtained from the Department, it may be typed on a single sheet of 8 1/2 inch by 11 inch white bond paper, using one side only. If the space in the form is insufficient for one or more items, attach a single continuation sheet, designating the continued information by item number.

(e) Amendments. An amendment should be filed only for material changes in the information contained in the notice, such as a change in the name under which the franchisor does business or an addition to Item 3 (e.g., new type of franchise).

## 2. Instructions for Completing Form.

Heading: (A) Department file number. Insert the file number(s) assigned to the filing franchisor or subfranchisor in any prior registration filings with the Department under the Franchise Investment Law.

(B) Exemption used. Check the box to indicate the exemption to be used by the Filer.

(C) Type of filing. Check the box as appropriate to indicate whether the filing is an initial filing (including a non-consecutive subsequent notice), consecutive subsequent notice, or an amendment to a notice previously filed for the calendar year specified in the notice.

(D) Calendar year. Indicate the calendar year for which the notice is filed.

Item 1. The information provided in parts (a), (b) and (c) relate to the company filing the notice (i.e., the "filer") which may be the franchisor or a subfranchisor. If a subfranchisor files the notice, part (d) must be completed to give the name and business address of the franchisor. Part (e) must state the names associated with the franchisor's business.

Item 2. If the notice is filed by a subfranchisor, the agent(s) for service of process of both the franchisor and subfranchisor must be furnished.

Item 3. Specify the name or title given the franchise agreement. Briefly describe the franchised business (e.g. "restaurant," "retail sales of bicycles"). Check the box to specify whether

the franchise is one to conduct the franchised business (Corp. Code Section 31010) or a subfranchise (Corp. Code Section 31008.5).

Item 4. Give the name, title, business address and telephone number of the individual the Department may contact in connection with the notice.

Item 5. The notice shall be signed on behalf of the filing franchisor or subfranchisor by a person authorized to do so.

### 3. Filing the Notice.

The notice may be filed, and the fee may be paid, by mail or delivery to any office of the Department of Corporations. The completed notice is effective when received with the fee (Section 31101(d), ~~or~~ 31108(f), or 31109(e)).

Note: Authority cited: Section 31502, Corporations Code. Reference: Sections 31101, 31104, 31108, 31109, and 31500, Corporations Code.

### 3. Adopt Section 310.114.4 to read:

#### 310.114.4. Disclosure of Offering Circular by Electronic Means.

(a) A franchisor may deliver a franchise disclosure document over the Internet or by other electronic means, or in machine-readable media, provided all of the following are met: (1) before furnishing a disclosure document or making it accessible to the prospective franchisee, the franchisor has advised the prospective franchisee of the formats in which the disclosure document is available and any prerequisites or conditions necessary for obtaining or reviewing it in a particular format; and (2) the disclosure document:

(A) is delivered as a single, integrated, document or file;

(B) has no extraneous content beyond what is required or permitted by law and by the UFOC Guidelines, except for the items allowed under subsection (i) below:



(i) for the sole purpose of enhancing the prospective franchisee's ability to maneuver through an electronic version of the disclosure document, the franchisor may include scroll bars, internal links, and search features;

(ii) all other features are prohibited, including audio, video, "pop-up" screens, and links to external documents.

(C) is delivered in a form that intrinsically enables the recipient to store, retrieve, and print the disclosure document; and

(D) conforms as to its content and format to the requirements of law; and

(3) the franchisor:

(A) can prove that it delivered the disclosure document electronically in compliance with this section, and that it did so at or before the time required by law; and

(B) keeps records of its electronic delivery of disclosure documents and makes those records available on demand by the Department.

(b) "Delivery" requires that the disclosure document be conveyed to and received by the prospective franchisee, or that the storage media in which the disclosure document is stored be physically delivered to the prospective franchisee in accordance with subsection (a).

(c) Proof of delivery may be demonstrated by a return email from the recipient acknowledging receipt of the document, or the recipient's use of security codes, passwords, electronic signatures, or similar devices to authenticate the recipient's identity, or by any other form of written confirmation of receipt from the prospective franchisee.

(d) This section does not change or waive any other requirement of law concerning registration or presale disclosure of franchise offerings.

NOTE: Authority cited: Section 31502, Corporations Code. Reference: Section 31119, Corporations Code.