State Of California
Business, Transportation And Housing Agency
DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

www.corp.ca.gov

Arnold Schwarzenegger
Governor

Preston DuFauchard
California Corporations Commissioner

DATE: JUNE 28, 2007

RELEASE No. 17-F

FILING THE NEW UNIFORM FRANCHISE DISCLOSURE DOCUMENT UNDER THE FRANCHISE INVESTMENT LAW

This Release provides information for filing applications for registration under California's Franchise Investment Law (FIL) using the new Uniform Franchise Disclosure Document (UFDD) when revised Federal Trade Commission (FTC) regulations become operative on July 1, 2007.

Under the FIL, the California Corporations Commissioner is responsible for regulating the offer and sale of franchises. A franchise may not be offered or sold in this state unless the franchisor complies with the FIL by registering or exempting its franchise. Currently, applicants registering franchises under the FIL must use the Uniform Franchise Offering Circular (UFOC), as amended by the North American Securities Administrators Association, Inc. (NASAA) on April 25, 1993, as their disclosure document.

On March 30, 2007, the FTC published final amendments to the federal franchise rules in Part 436 to streamline the rules, minimize compliance costs, and respond to changes in new technologies and market conditions. While the effective date of the FTC's amendments is July 1, 2007, franchisors may continue to use the UFOC and rely on existing FIL requirements until July 1, 2008 when the FTC's UFDD and disclosure requirements become mandatory. In response to the FTC's amendments to Part 436, NASAA has replaced the UFOC Guidelines with the Franchise Interim Statement of Policy that also allows the concurrent filing of the two documents during the one-year phase in period.

As a result of the federal changes and NASAA's subsequent action, beginning July 1, 2007, the Department of Corporations will accept the following as the Uniform Franchise Registration Application under the FIL:

- From July 1, 2007 through June 30, 2008, franchise registration applications may be filed in accordance with either (1) the current UFOC Guidelines or (2) the Franchise Interim Statement of Policy (or the final Statement of Policy if enacted by NASAA).

- On and after July 1, 2008, franchisors will no longer have an election, and are required to register franchises using only the UFDD in accordance with the Franchise Interim Statement of Policy (or the final Statement if enacted).

For applicants choosing to file disclosure documents using the new FTC Rule format rather than the UFOC Guidelines, here are some tips:

1. Because the FTC rules authorize states to retain and enact franchise provisions that provide protection to franchisees that is equal to or greater than that provided by the new federal requirements, all other California franchise application requirements (including those in Rule 310.114.1) will continue to apply.

2. Although applicants may elect to use either disclosure format, it is unacceptable to mix and match the formats.

3. Use the new state cover page prescribed under the NASAA Statement of Policy.

As a final tip, in a cover letter accompanying the application, indicate which disclosure format the applicant is submitting with its application.

Additional information (including the NASAA Statement of Policy) is available on the Department's webpage at www.corp.gov.

Should you have any questions concerning these filing procedures, please contact the Department's Consumer Resource Center at 1-866-275-2677.

Preston DuFauchard
California Corporations Commissioner

By _____
Timothy L. Le Bas
Deputy Commissioner
Office of Law and Legislation
(916) 322-3553