

AMENDED IN ASSEMBLY MARCH 10, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1782

Introduced by Assembly Member Maienschein

February 4, 2016

An act to amend Section 31013 of, and to add Section 31020 to, the Corporations Code, relating to franchises.

LEGISLATIVE COUNSEL'S DIGEST

AB 1782, as amended, Maienschein. Franchises: offer to sell: trade show.

The Franchise Investment Law generally requires a franchisor to register with the Department of Business Oversight before an offer or sale of a franchise in this state and provides that a willful violation of this law is a crime. Existing law provides, among other things, that an offer or sale of a franchise is made in this state when an offer to sell is made in this state, or an offer to buy is accepted in this state, or, if the franchisee is domiciled in this state, the franchised business is or will be operated in this state. Existing law provides that an offer to sell is not made in this state merely because a radio or television program originating outside this state is received in this state.

This bill would provide that an offer to sell is not made in this state merely because a *prospective franchisor, or a* franchisor who is not then offering a franchise for sale in California and has not registered an offering under the Franchise Investment Law, secures a space at a franchise trade show from which it offers information about its products, services, or system to the general public under specified circumstances. The bill would also define a franchise trade show for purposes of the

Franchise Investment Law and would authorize a franchisor to offer a franchise for sale at a franchise trade show, as specified. *Law.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 31013 of the Corporations Code is
2 amended to read:

3 31013. (a) An offer or sale of a franchise is made in this state
4 when an offer to sell is made in this state, or an offer to buy is
5 accepted in this state, or, if the franchisee is domiciled in this state,
6 the franchised business is or will be operated in this state.

7 (b) An offer to sell is made in this state when the offer either
8 originates from this state or is directed by the offeror to this state
9 and received at the place to which it is directed. An offer to sell is
10 accepted in this state when acceptance is communicated to the
11 offeror in this state; and acceptance is communicated to the offeror
12 in this state when the offeree directs it to the offeror in this state
13 reasonably believing the offeror to be in this state and it is received
14 at the place to which it is directed.

15 (c) An offer to sell is not made in this state merely because (1)
16 the publisher circulates or there is circulated on his behalf in this
17 state any bona fide newspaper or other publication of general,
18 regular, and paid circulation which has had more than two-thirds
19 of its circulation outside this state during the past 12 months, or
20 (2) a radio or television program originating outside this state is
21 received in this state.

22 (d) An offer to sell is not made in this state merely because a
23 *franchisor, or a franchisor who is not then offering a franchise for*
24 *sale in California and has not registered an offering under the*
25 *provisions of Chapter 2 (commencing with Section 31110) 31110),*
26 *secures a space at a franchise trade show from which it offers*
27 *information about its products, services, or system to the general*
28 *public if a the franchisor or prospective franchisor does both all*
29 *of the following:*

30 (1) *Notifies the commissioner, in a form approved established*
31 *by the commissioner, of its intent to attend and display its concept*
32 *at the franchise trade show at least seven 14 days before the show.*
33 *show accompanied by the following:*

1 (A) A document, in a form approved by the commissioner, that
2 includes, at a minimum, all of the following:

3 (i) The franchise concept brand name and a brief description
4 of the potential franchise offering.

5 (ii) The legal name of the franchisor or prospective franchisor,
6 and the address where it is domiciled.

7 (iii) The names of the principal officers of the franchisor or
8 prospective franchisor.

9 (iv) The address where the franchisor or prospective franchisor
10 may be served legal process.

11 (B) If the franchisor or prospective franchisor already possesses
12 a current franchise disclosure document not yet registered in
13 California, a copy of the franchise disclosure document.

14 (2) Conspicuously posts in public view within its franchise trade
15 show booth a notice, in a form established by the commissioner,
16 that states, at a minimum, all of the following:

17 (A) The franchisor or prospective franchisor is not offering a
18 franchise for sale in California.

19 (B) The franchisor or prospective franchisor is not legally able
20 to offer a franchise for sale in California.

21 (C) If anyone associated with the franchisor or prospective
22 franchisor offers a franchise for sale or solicits an offer to purchase
23 a franchise in California, that action should be reported to the
24 commissioner.

25 (D) The contact information of the commissioner.

26 (e) The form described in paragraph (1) of subdivision (d) shall
27 be in the form and content prescribed by the commissioner, but,
28 at a minimum, shall state that it is unlawful for any person to offer
29 or sell a franchise in California unless the offer of the franchise
30 has been registered with the commissioner or is otherwise exempt.

31 SEC. 2. Section 31020 is added to the Corporations Code, to
32 read:

33 31020. "Franchise trade show" means an event in this ~~state~~
34 ~~state~~, displaying multiple franchise brands and open to multiple
35 franchisors, that is advertised to, and invites, the general public
36 to that event where franchisors who satisfy the reasonable criteria
37 of the franchise trade show's organizer may secure a space from
38 where they can inform the members of the general public in
39 attendance about their existing and prospective products, services,

- 1 or systems. ~~These franchisors may offer a franchise for sale at a~~
- 2 ~~franchise trade show pursuant to the provisions of this division.~~

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