

**INDIANA SECRETARY OF STATE
SECURITIES DIVISION**

FILED
JUN 08 2007

IN THE MATTER OF:)
)
 ELECTRONIC FILING OF)
 FRANCHISE DISCLOSURE) 07-0052 AO
 DOCUMENTS)
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)
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ADMINISTRATIVE ORDER

The Indiana Secretary of State and the Securities Commissioner have determined that it is appropriate and in the public interest to issue an Administrative Order regarding electronic filing of uniform franchise offering circulars or franchise disclosure documents with the Indiana Securities Division.

Statutory Context

Section 23-2-2.5-10.5 of the Indiana Franchise Act (“Act”) states that any person wanting to offer a franchise for sale in Indiana must, unless the franchise is exempt, register the franchise by filing it with the Securities Commissioner (“Commissioner”). To become registered, the potential franchisor must, among other things, file a copy of the disclosure statement which is to be given to potential franchisees. Ind. Code § 23-2-2.5-10.5(b). The disclosure statement must be in a form prescribed by the Commissioner. Ind. Code § 23-2-2.5-13. The Commissioner, through Administrative Order 01-0109 AO provided that all franchisors shall use and file the Uniform Franchise Offering Circular (“UFOC”) to comply with Ind. Code § 23-2-2.5-10.5.

Background

While the Act and Administrative Order 01-0109 AO provide that the franchise disclosure statement must be filed with the Commissioner in a specific form; to wit, the UFOC, they do not specify the medium for the document, such as electronic or on paper. Historically, all disclosure documents have been filed on paper. Because of the amount of information required to be disclosed, a typical disclosure document consists of a substantial number of pages, often running in excess of 75 to 100 pages. Owing to this fact and the use of personal computers for word processing, all disclosure documents are now prepared electronically and printed for filing and delivery to regulatory agencies and prospective franchisees. This process is inefficient for both parties as the franchisor must bear the extra expense of shipping a heavy paper filing, while the Securities Division must process and store the voluminous filings. With the document already in an electronic format, franchisors can file the disclosure statement on electronic media, such as a CD-ROM. Filing franchise disclosure statements on CD-ROM will reduce the transaction

costs for franchisors through reduced shipping costs and streamline the processing and filing space needed by the Securities Division. On October 25, 2005, the Commissioner issued the Statement of Policy Regarding the Electronic Delivery of Franchise Disclosure Documents, which allowed franchisors to deliver the UFOC to the franchisee in an electronic format. This Order extends that policy to the filing of the disclosure document with the Commissioner.

IT IS THEREFORE ORDERED that:

Effective immediately, all franchisors may file the disclosure document with the Commissioner via CD-ROM in an electronic document that conforms to the qualifications below.

The disclosure document:

- (i) is delivered as a single, integrated, document or file;
- (ii) has no extraneous content beyond what is required or permitted by law and by the UFOC guidelines or federal requirements, but which may include customary devices for manipulating electronic documents in machine readable form and tools or access to tools that may be necessary or convenient to enable the recipient to receive and view the disclosure document;
- (iii) has no links to or from external documents or content;
- (iv) is delivered in a form that intrinsically enables the Commissioner to retrieve and print the disclosure document; and
- (v) conforms as to its content and format to the requirements of law.

Effective October 1, 2007, all franchisors are required to file the disclosure document via CD-ROM in an electronic document that conforms to the qualifications above. Failure to file the disclosure document in such manner shall result in a denial of registration with the entire filing being returned to the franchisor.

This Order shall have no effect upon the other documents required to be filed with the UFOC or FDD.

DATED at Indianapolis, Indiana, this 8th day of June, 2007.



TODD ROKITA
SECRETARY OF STATE


O. WAYNE DAVIS
SECURITIES COMMISSIONER