ARTICLE 73-03
FRANCHISE INVESTMENT LAW

Chapter
73-03-01 General Provisions

CHAPTER 73-03-01
GENERAL PROVISIONS

Section
73-03-01-01 Exemptions

73-03-01-01. Exemptions.

Any offer to sell or sale of a franchise organized and existing under the laws of any state as a nonprofit corporation for the exclusive use and benefit of its own members which satisfies the following conditions is exempt from the registration requirements imposed by North Dakota Century Code section 51-19-03, provided the governing board of the corporation certifies to the securities commissioner by resolution that such conditions are being met:

1. Control and ownership of each member is substantially equal;
2. Membership is limited to those who avail themselves of the services furnished by the organization;
3. Transfer of ownership interest is prohibited or limited;
4. Capital investment receives no return;
5. Members are not personally liable for obligations of the corporation in the absence of a direct undertaking or authorization by them;
6. Services provided to the membership are furnished primarily for the use of the members;
7. Each member and prospective member is provided with the most recent audited financial statements, bylaws, articles of incorporation, rules and regulations, and agreement; and
8. The corporation has had at least twenty-five franchises conducting business at all times during the five-year period immediately preceding the proposed offer or sale of a franchise, or has conducted business which is the subject of the franchise continuously for not less than five years preceding the proposed offer or sale of a franchise.

Any entity which has certified to the securities commissioner that the conditions listed in this section have been met, and which subsequently modifies its structure resulting in one or more of the conditions becoming nonapplicable, shall immediately notify the commissioner of such modification.

This rule does not exempt any individual or entity from the antifraud provisions contained in North Dakota Century Code section 51-19-11.

History: Effective July 1, 1988.
General Authority: NDCC 51-19-17
Law Implemented: NDCC 51-19-04