

Leets, Theresa@CORP

From: Christian Thompson <christiant@toolaw.com>
Sent: Thursday, June 13, 2013 6:58 PM
To: Leets, Theresa@CORP
Subject: Response to comments re CALY, LLC d/b/a Forte of San Diego 993-5512 / 478276
Attachments: LTR re Response to comments re CALY, LLC dba Forte of San Diego 993-5512 - 478276 (6-13-13) PDF, Revised FDD _redlined_ - 6-13-13 pdf, Revised FDD _clean_ - 6-13-13 pdf, Signed verification - Forte North America PDF

Theresa,

I hope this email finds you well. I apologize for the delay in getting this information to you. There was a miscommunication between me and my client where I was waiting on their response, and they thought they were waiting on me. But I received back the information I needed and it is our hope the changes we've made and information we are providing will bring my clients closer to renewal.

Attached you will find the following:

- 1 A letter address your concerns regarding the application for CALY, LLC d/b/a Forte of San Diego from your email dated April 24, 2013
- 2 A redlined and clean copy of the FDD based on the changes made in response to your letter
- 3 A signed verification from Scott Spurgiesz, President of CALY, LLC, verifying that no sales were made from 4/20/12 until 10/25/12

Also, I understand that you had mentioned to my clients that the format of their FDD needs to be revised. We have definitely made note of that, and it is our intention to help them clean up the formatting issues before next renewal season.

Please let me know if you need anything else from me.

Regards,

C. Christian Thompson

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June 13, 2013

VIA EMAIL: THERESA.LEETS@CORP.CA.GOV

Theresa Leets

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CALIFORNIA DEPARTMENT OF CORPORATIONS

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Re: Response to comments re CALY, LLC d/b/a Forte of San Diego 993-5512 / 478276

Dear Ms. Leets,

As mentioned in my previous email, our firm has been retained to assist CALY, LLC d/b/a Forte of San Diego with their California renewal. Thank you for your patience and guidance in assisting our client during this renewal season. In your letter/email dated April 24, 2013, you addressed a few remaining deficiencies in our client's renewal application that we hope have been sufficiently resolved. I have addressed each of your concerns below. I have also attached redlined pages of the FDD and franchise agreement reflecting the changes made. This submission is a pre-effective amendment to CALY, LLC's initial renewal application.

1. In Item 5, you disclose a 12% interest rate. I believe the maximum legal rate in California is 10%. Under what exemption/authority are you able to charge 12%?

My client mistakenly believed that franchisors were exempt from the California usury laws. Although franchisors are exempt from the CA Finance Lenders Law and are exempt from some aspects of the CA usury laws, such as financing the purchase of equipment to a franchisee, it does not appear that an exemption is available to my client that would allow it to charge interest rates in excess of CA usury laws on interest charged to finance the initial franchise fee. Therefore, we have made changes to Item 5, Item 6, Item 19 and Section 3.1(d) of the Franchise Agreement to conform to the law.

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