

**DEPARTMENT OF CORPORATIONS**  
*California's Investment and Financing Authority*

Sacramento, California

IN REPLY REFER TO:  
FILE NO: PRO 27/06**NOTICE OF CHANGES TO PROPOSED AMENDMENTS OF RULES OF  
THE COMMISSIONER OF CORPORATIONS UNDER THE  
CORPORATE SECURITIES LAW OF 1968  
(15-DAY COMMENT PERIOD)**

To Interested Persons:

On November 3, 2006, the Commissioner of Corporations published a Notice of Proposed Rulemaking that proposed amendments to Sections 260.140.8, 260.140.41, 260.140.42, 260.140.45, and 260.140.46 of Title 10 of the California Code of Regulations under the Corporate Securities Law of 1968 (see California Regulatory Notice Register 2006, No. 44-Z).

Because the proposed final text of Sections 260.140.8, 260.140.41, 260.140.42, 260.140.45, and 260.140.46 differs from the text of the regulations dated September 14, 2006, a copy of the proposed final text is being made available to the public for at least 15 days in accordance with the requirements of Government Code Section 11346.8(c), and the public may submit comments regarding the changed text during this period. The proposed final text showing modifications to Sections 260.140.8, 260.140.41, 260.140.42, 260.140.45, and 260.140.46 is attached. Additions to the text are shown by double underline and deletions are shown by double strikethrough.

**REASONS FOR CHANGES**

The initial statement of reasons for the proposed action containing the information upon which this rulemaking action is based is available from the Office of Law and Legislation in the Sacramento Office of the Department of Corporations, and on the Department's website at [www.corp.ca.gov](http://www.corp.ca.gov). (Request Document PRO 27/06 - C.) As required by the Administrative Procedure Act, the Office of Law and Legislation maintains a hearing file containing all the information upon which the proposal is based. The rulemaking file is available for public inspection during regular business hours. Changes to the initially proposed language are based on comments received by the public, and these comments are part of the hearing file and available for public inspection.

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## NOTICE OF CHANGES TO PROPOSED AMENDMENTS

Corporate Securities Law of 1968

15-Day Comment Period

Page 2 of 2

The changes made to the initially proposed language are intended to (1) add flexibility to the transferability of options under certain circumstances, (2) allow greater flexibility in obtaining shareholder approval of a compensatory benefit plan, (3) more closely align some provisions to Rule 701 of the Securities Act of 1933, as amended (17 C.F.R. 230.701), (4) allow an issuer greater flexibility in structuring a repurchase feature upon the termination of employment, and (5) make other technical and clarifying changes.

### 15-DAY COMMENT PERIOD

Any interested person may submit written comments regarding the changes from the originally proposed amendments by written communication addressed to the California Corporations Commissioner, Attn: Karen Fong, Staff Services Analyst, Office of Law and Legislation, 1515 K Street, Suite 200, Sacramento, California 95814 and received on or before 5 p.m., **March 9, 2007**. Written comments may also be sent to Karen Fong vial electronic mail at [regulations@corp.ca.gov](mailto:regulations@corp.ca.gov) or via fax at (916) 322-5875.

The proposed changes to the Commissioner's rules in the text accompanying this notice are not yet effective, and will not be effective until approved by the Office of Administrative Law and filed with the Secretary of State in accordance with Government Code Section 11349.3. Questions regarding the content of this notice may be directed to Karen Fong at (916) 322-3553.

Dated: February 22, 2007  
Sacramento, California

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Timothy L. Le Bas  
Deputy Commissioner and General Counsel  
Office of Law and Legislation