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To: [NASAA Comments](#)
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Subject: [EXTERNAL]Request for Public Comment on the Proposed Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments
Date: Wednesday, June 12, 2024 3:57:54 PM

First, thank you for the consideration & opportunity to being this proposed statement of policy to light regarding the use of franchise questionnaires & acknowledgments. I am a CFO by profession, specializing in entrepreneurial growth companies (many times VC-backed). I am no stranger to the risks and pitfalls that these sorts of businesses inherently have and how important it is that the owner / entrepreneur knows as much as they can upfront to understand what they are getting into...and that is why they engage folks like me normally. To make sure the information they are basing their decision on is as accurate and relevant as possible. Let's be real here that these decisions are usually the biggest decisions that these people will EVER make in their life. A house might be larger but it doesn't normally come with the same risk and there is a fall back option to get value out of what they bought. These people many times are putting their entire lives at risk based on falsehoods and with no watchdog or policing on the perpetrators.

In my case, as a seasoned evaluator of businesses (particularly from a financial standpoint), I MUST rely on the information that is given in the FDD as both true and indicative of what the LIKELY potential is for the business. In the case of my specific franchisor, the numbers they gave out were not only inaccurate but purposefully misleading...and the franchisor (and entity that bought the original franchisor) have publicly admitted on tape that the numbers were inaccurate and they couldn't be traced back to any financial performance of their franchisees. The franchisor basically made up the numbers and they were entirely theoretical. Even when questioned during the sales process they doubled down that their numbers were accurate in order to get the sale (see FTC Report Number: 171275214).

Now ignoring for the moment the obvious wrong about falsifying figures to entice a sale or the lack of oversight to ensure the FDD intent is being honored, we can dig into the real issue here: the franchise questionnaires & acknowledgments. The purpose of these is pretty transparent in that they are meant to protect the franchisor from any liability or claims regarding anything a franchisee might receive.

In my situation, the process was even more devious and manipulative...the franchisor wouldn't allow my wife and I to sign for the LLC we created and so we had to sign as individuals. Within days the franchisor said we MUST sign a franchisee transfer addendum to transfer the franchisee rights from individuals to the LLC. In that addendum there was a release of all claims against the franchisor and affiliates...I pushed back on that and the franchisor legal counsel told me I didn't have to sign but I wouldn't be able to move forward with the franchise and my franchise fees (\$122K) would be forfeit. Obviously I couldn't do that and they told me this was just a formality that everyone goes through.

And we all know that these franchisors will have access to more capital & higher profile lawyers to fight any claims that are brought against them...why do we need to further stack the deck against the individual citizen by allowing this type of manipulation, obfuscation and protection? Short of a class-action type of litigation made against a franchisor (where franchisees can combine into economies of scale) this leaves the franchisee with absolutely no recourse to getting fair treatment in the current system. The US system was meant to be based on fairness and protection of all folks... this proposed policy is a step in that direction and I

sincerely hope the "special interests" don't deter that. Thank you for your time & consideration

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