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June 14, 2018

Dale Cantone  
Chair of the Franchise and  
Business Opportunities Project

Bill Beatty  
Chair of the Corporation  
Finance Section

Mark Stewart  
NASAA Counsel

Dear Messrs. Cantone, Beatty and Stewart:

Thank you for the opportunity to provide comments on the proposed revisions to the state cover page.

While the concept is well taken, I believe the language in the table under How to Use This Franchise Disclosure Document, implies in many of the line items that the particular franchise opportunity is “troubled.” That is, the language appears to be inflammatory when it should be neutral. A prospective franchisee will not necessarily know that the content of the page is universal to all franchise opportunities, as opposed to being provided just for this opportunity. Further, it seems that a plain reading of the questions does not so much point a prospect to the appropriate Item, but instead infers that the particular opportunity is, again, troubled and may not have the financial ability to support the franchise opportunity. As a result, I propose that certain line items be revised as follows:

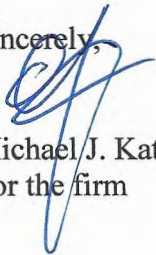
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<b>Current Language</b>	<b>Proposed Language</b>
<b>Does the franchisor have the financial ability to support my business?</b>	<b>What is the current financial status of the franchisor<sup>1</sup></b>
<b>Is the franchise system stable and growing or shrinking?</b>	<b>Does the franchise system have a history of closed or terminated franchisee?<sup>2</sup></b>
<b>Does the franchisor have a troubled legal history?</b>	<b>Has the franchisor been involved in legal matters?<sup>3</sup></b>

The balance of the proposal is fair and reasonable for both the franchisor and the prospective franchisee.

Please feel free to contact me with any question or comments you may have.

Sincerely,



Michael J. Katz  
For the firm

<sup>1</sup> The current language prejudices emerging brands that may not have deposited into the account reflected in the opening balance sheet all of the money that may be available to the franchisor (in the form of loans or capital infusions.) Further, even established franchisors, especially privately held business entities, may account for revenue in such a way as to show low numbers after accounting for “voluntary” liabilities such as high salaries for the principals. Such accounting does no mean that funds are unavailable to support the system. Instead, it reflects how the franchisor wishes to allocate revenue. Finally, the current language infers that somehow the franchisor will “support my business,” meaning that the franchisee can look to the franchisor for financial help in the future.

<sup>2</sup> When we help prospects in making the business decision to invest in the opportunity, we don’t emphasize the relative growth or shrinkage of the system (though that is discussed) as much as we look at the number of Terminations, Non-Renewals, Reacquisitions and Closures for Other Reasons in Item 20, Table 3. Though a system may grow by dozens of units per year, the fact that it has some meaningful number of closings each year is more telling of the stability of the system.

<sup>3</sup> Again, this is a more neutral presentation of the question.