
From: kndlpwendl@yahoo.com
Sent: Thursday, December 23, 2021 1:32 PM
To: NASAA Comments
Cc: Andrea.Seidt@com.state.oh.us; Dale Cantone
Subject: [EXTERNAL]PROPOSED STATEMENT OF POLICY REGARDING THE USE OF FRANCHISE QUESTIONNAIRES AND ACKNOWLEDGMENTS

Hello!

I have worked for several franchisors in their franchise development departments (Franchise Sales) for most of my career. Although the intent of the questionnaire is noble, the reality is not.

In my experience, the franchisor legal/compliance department will not execute an agreement unless the "correct" answer to the questions are marked. If there is an "incorrect" answer, the legal department will then kick it back to the development department so the sales person can "encourage" the candidate to change their answer. Again, if the answer is not changed, the candidate will not get the franchise. The candidate is so emotionally invested at that point that rarely does the answer NOT get changed.

Generally speaking, many if not most first time franchise buyers are woefully unprepared for what they are getting into. Franchisors sell franchises every day and are VERY good at doing so. Franchise buyers do it once in their lifetimes and think they can trust the franchise sales person because they "like" them and believe the sales person is acting in the buyers best interest. This is also true for franchise brokers who are compensated by the franchisor. All the buyer sees is that the "service" is "free", not realizing what a vested financial interest both the franchise and broker have in completing the sale.

Franchise buyers have NO IDEA of the risk they are taking. They don't realize that if they use both their retirement account and home to fund the venture, and things go sour, they have lost everything, most likely including their family because of the stress. They don't realize that virtually all the glowing "Best of" franchise publications and rankings are revenue generators for the publications, most with the real goal of lead generation for the franchise (talk about a conflict of interest!). They have no way of knowing the list of 10 existing franchisees they got from the sales person may be compensated for talking with them, or simply being told, "these are the one's who will return your calls". They can't know that in many cases, the other existing franchisees won't return their calls because they are afraid of what the franchisor may do to them if they say something negative. They don't know that the only real qualification for being "awarded" the franchise is to qualify for financing.

In essence, today's franchise sales process is no different from the practice of a financial advisor who sells their clients certain funds that pay a hidden high commission. The

client has no way of knowing the advisor is acting in his or her own best interest, not the clients.

I don't know what the answer is, but first time buyers need protection they don't know they need. Very few actually read the FDD much less pay an attorney to review it. The few franchise advisors out there who are fee paid with no vested interest in the outcome will tell you that trying to get someone to pay \$5000 for truly unbiased professional advice is an extremely uphill battle, when there is so much "rah rah" out there praising the world of franchising. In reality, there is a very disturbing underbelly that first time buyers have almost no way of discovering.

Sincerely,

Bruce Holzman

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