



1401 Lawrence Street, Suite 2300, Denver, CO 80202 • (303) 572-9300

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BY EMAIL ONLY

Mr. Dale Cantone, dcantone@oag.state.md.us
Mr. Bill Beatty, bill.beatty@dfi.wa.gov
Mr. Chris Staley, nasaacomment@nasaa.org
Mr. Mark Stewart, nasaacomment@nasaa.org

Re: Comments on NASAA Proposal | New State Cover Sheets

Dear Messrs. Cantone, Beatty, Staley, and Stewart:

Thank you for giving us the opportunity to comment on the proposed replacement to the state cover page. As experienced franchise and litigation counsel, we are aware that many prospective franchisees find the Franchise Disclosure Document overwhelming and/or do not read the Franchise Disclosure Document in its entirety prior to signing a franchise agreement. Furthermore, many prospective franchisees have little to no experience with franchising. Thus, we support NASAA's efforts to provide prospective franchisees further clarity about how to use the disclosure document and find answers to the most common questions. After reviewing NASAA's draft pages, we wish to highlight the following points which we believe will provide even more clarity to prospective franchisees and drafters.

"How to Use This Franchise Disclosure Document"

We recommend moving the "What else should I know?" section to the introductory section ("Here are some questions you may be asking..."). In general, we think a prospective franchisee should know from the outset that the information being provided on this page is limited and intended to highlight certain sections of the disclosure document.

We also recommend repeating the FTC's advisory statement about the desirability of reviewing the disclosure document with a trusted advisor, such as a CPA, an attorney, or both. For example, instead of advising prospective franchisees to review complex financial statements "carefully," this section should advise the franchisee to review the statements and other disclosures with a CPA or other qualified financial or legal advisor.

"What You Need to Know About Franchising *Generally*"

We recommend expanding the "losses and personal liability" paragraph to include the fact that prospective franchisees may be personally liable for obligations under the franchise

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agreement even if the franchised business is operated by or through an entity. In our experience, this requirement is often overlooked by prospective franchisees.

“Special Risks to Consider About *This Franchise*”

With regard to the language advising prospective franchisees to consult state-specific addenda, we recommend deletion of the phrase “[i]f so.” Instead, we recommend inclusion of the following sentence: “Check to see if there is an addendum for your state, and review this document in its entirety.”

“Instructions for Preparing State Cover Sheets and State Effective Date Page”

With regard to Section 4.i, we recommend use of the phrase “ALL CAPS” in lieu of the word “uppercase.” We understand drafters will be permitted to use uppercase letters where appropriate, such as at the beginning of a sentence.

As always, we appreciate the opportunity to review and comment on NASAA’s proposed changes.

Respectfully,

POLSINELLI PC
GLOBAL FRANCHISE AND SUPPLY NETWORK PRACTICE

By:

A handwritten signature in blue ink that reads "William W. Sentell III".

William W. Sentell, III