

HOUSE BILL REPORT

HB 2277

*As Reported By House Committee on:
Commerce & Labor*

Title: An act relating to franchise investment protection.

Brief Description: Providing for notice under franchise investment protection to persons whose primary language is not that of the offering circular.

Sponsor(s): Representatives Heavey, Locke, Wilson, Franklin and Paris.

Brief History:

Reported by House Committee on:
Commerce & Labor, January 17, 1992, DP.

**HOUSE COMMITTEE ON
COMMERCE & LABOR**

Majority Report: *Do pass.* Signed by 6 members: Representatives Heavey, Chair; Fuhrman, Ranking Minority Member; Lisk, Assistant Ranking Minority Member; Franklin; O'Brien; and Vance.

Minority Report: *Do not pass.* Signed by 4 members: Representatives G. Cole, Vice Chair; Jones; R. King; and Prentice.

Staff: Jim Kelley (786-7166).

Background: The Washington Franchise Investment Protection Act, as amended in 1991, requires that an offering circular be delivered to a prospective franchisee before the sale of a franchise. The director of the Department of Licensing is responsible for providing guidelines regarding the form of the offering circular. There is currently no requirement that an offering circular provide a special warning or explanation of rights to a non-English speaking franchisee.

Summary of Bill: If a franchise offering circular is not in the primary language of the prospective franchisee, the following statement, in both languages, must be attached to the offering circular and signed and dated by the prospective franchisee: "I recognize that this agreement affects my legal rights concerning the franchise relationship. I am advised to seek the advice of an

attorney who speaks my language or an attorney with an interpreter who speaks my language. I recognize that I have ten business days to seek the advice of an attorney prior to the signing of a binding agreement or the receipt of any consideration by the franchisor."

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: There have been many problems with franchisors in the janitorial business taking advantage of recent immigrants. These franchisees often do not understand what they are getting involved in. Often, they are just paying for a job. There is no real opportunity for growth in most of these franchises. The Department of Licensing has no objection to the bill. Franchisors are aware of the problems and are trying to resolve them.

Testimony Against: This bill does not go far enough. The language barrier is not the only problem, there are also cultural barriers. It is not fair to allow immigrants to sign away their rights when the result is a very bad business deal.

Witnesses: Marc Earls, Services Employees International Union; Mike Stevenson, Department of Licensing, Securities Division; and Lyle Graddon, National Maintenance Contractors.