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Sent: Tuesday, May 21, 2024 7:17 AM
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Subject: NASAA Model Franchise Broker Registration Act Comment

Here are my comments on the proposed act.

Section 4: Registration: I find the suggested registration to be excessively cumbersome. Brokers represent brands that are sold across all 50 states which would require a broker to register in each state and abide by the unique requirements of each and delays experienced with each. Then to ask to do this on an annual basis is problematic. I have a hard time seeing that each state will add staff accordingly. Furthermore to give scrutiny to each state for approval would be extremely subjective at best unless each state was trained in the complexities of the broker industry.

A better answer would be to have a national form that all states adopt and brokers must sign. Unlike where commissions in real estate are subject to every state, franchisors commission are determined by each franchise company individually.

Section 4: registration #5g and 6: Record keeping. In that we (brokers) are not holding any money from prospective clients (such as escrows) and are paid only upon closing of a deal and after payment received from client to the franchisor, I don't see what my books have to do with the transaction in anyway. We don't control the deal, the franchisor does. My profit or loss of my business in no way reflects or has influence on the transaction. The franchisor qualifies and awards or declines the franchise to the client without any input from the broker. Again this is different from industries like Real Estate. where the brokers is writing contracts and handling funds.

I am not opposed to create ways to "professionalize" the industry but putting the burden on the brokers is the wrong approach. The franchisors represent their model to the broker and we relay that information (not financial) to the prospective clients. Where I have hear the

problems exist is when the franchisor provided false information or had separate agendas such as the franchise is being sold to a private equity group and this was not disclosed or their support structure or financial strength was misrepresented.

I believe most complaint have to be coming from clients who purchased a brand and came to find out it wasn't what they expected.

As a good broker our job is to help our clients do the proper due diligence "PRIOR" to the purchase.

I feel this proposed registration act as worded would severely harm the industry at risking of slapping the hands of a few bad brokers by handcuffing the good ones. Our service is needed to help clients sort out how to de-risk their investments by coaching them to ask the right questions.

Thank You,
Rich

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"A salary is a drug they give you to forget your dreams."

Kevin O'Leary

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