

From: [Mike Perez](#)
To: [NASAA Comments](#)
Cc: [Theresa Leets](#); bill.beatty@dfi.wa.gov; [Erin Houston](#)
Subject: [EXTERNAL]Proposed NASAA Model Franchise Broker Registration Act
Date: Thursday, June 13, 2024 7:16:25 PM

To NASAA.

I am a franchise broker writing to provide initial feedback on the proposed NASAA Model Franchise Broker Registration Act and express my opposition to it.

It is understandable that there is a goal of ensuring ethical practices by all franchise brokers. While that is something that should not even require regulation, there are unscrupulous people doing business. However, the vast majority of brokers are highly ethical and highly trained. The proposed act as written, no matter how well-intentioned, will have a devastating and negative impact, not just on brokers, but across an entire spectrum of other related and supporting businesses.

As a franchise broker, our independent business mission is to place the candidate's needs, interests, and goals first in matching them not to just any franchise, but *to the right franchise*. We play a vital role in facilitating a relationship between franchisors and qualified candidates. This process can take months; I've been working with one candidate for two years to be sure we find the right franchise for him.

The impact on the approximate 2000 franchise brokers across the various broker associations will trickle down to negatively impact potential franchisees, referral and lead sources, partner attorneys and lending brokers, and even family members not involved in our business. The definitions currently in place could affect larger entities such as LinkedIn, Facebook, and BizBuySell because they are used to provide leads to brokers. It would affect actual lead sources such as the eight lead generation sites owned by Franchise Ventures. How do you plan to enforce broker registration against these entities? Do you even think states will attempt to do so?

The proposed act does not appear to even take into account the existing franchise validation process where the franchisor is already required to properly disclose a candidate, and the candidate has every opportunity to conduct due diligence and have all documents reviewed by attorneys and to speak to existing franchisees to verify the information they have been given. It is overly and unnecessarily broad, increases liabilities, and complicates an already complicated and daunting process for candidates searching for a franchise.

Some of the more obvious concerns are:

- 1) the definition of a franchise broker which is too expansive,
- 2) having to register as a broker if someone receives more than \$1,000 in any compensation, which affects all of our personal referral and lead sources,
- 3) the definition of "effecting or attempting to effect offers or sales" could impact even mentioning the idea of a franchise to someone,
- 4) the definition of "other forms of consideration" which would severely limit the franchisors' ability to incentivize current franchisees to help grow the franchise; and
- 5) requiring franchisors to verify the registration of individual brokers.

The proposed regulation will, as written, literally negatively affect the economy by discouraging potential franchisees to buy a franchise, hinder the ability of a franchisor to grow their company, and hinder attorneys, lending sources, and lead sources from doing business, to name a few.

Lastly, as a retired veteran, I became a broker to be independent and take care of my family, and to help others. I reach out to as many veterans as possible to present even the concept of business ownership vs a corporate job to build generational wealth, provide for their family, and have freedom. If the regulation as written goes into effect, it will likely drive me out of business as well as prevent other veterans from becoming business owners because of the difficulties the regulation creates.

I ask and strongly recommend that this proposed regulation be dropped. Existing laws are already in place in each state for franchise candidates to seek remedy for grievances. This is a solution looking for a problem to solve.

v/r

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Recipient acknowledges that it has not relied on any statement made by our brokers in our candidates determination of whether or not to become a franchisee or enter into any relationship with the Franchise. The candidate has conducted or will conduct, prior to signing any agreement with respect to the Franchise, its own due diligence on the Franchise and has not and will not rely on any representation whatsoever of our brokers.

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