

From: [Edna s](#)
To: [NASAA Comments](#)
Cc: [Theresa Leets](#); bill.beatty@dfi.wa.gov; [Erin Houston](#)
Subject: [EXTERNAL]Public Comments on Proposed NASAA Model Franchise Broker Registration Act (the "Act")
Date: Thursday, June 13, 2024 9:25:51 PM

June 13, 2024

To:

Theresa Leets, Chair of the Project Group

Bill Beatty, Co-chair of the Section

Erin Houston, Co-chair of the Section

Re: Public Comments on Proposed NASAA Model Franchise Broker Registration Act (the "Act")

To NASAA,

My name is Edna Spearman, a franchise broker with nearly 40 years of experience in the franchising industry. I am a member of the FBA and IFPG networks and throughout my franchising career, I have served in various roles, including working in various positions for a large franchisor, being a franchisee myself, and currently as a franchise broker. I am deeply passionate about franchising because it enables individuals to achieve business success without reinventing the wheel or assuming all the risks.

I am writing to express my concerns about the Franchise Broker Registration Act.

As a broker, I take pride in helping individuals discover brands they might not have considered without a broker's guidance. Brokers provide invaluable services to both franchisors and potential franchisees. For instance, despite my extensive background in franchising, when I was researching business opportunities for myself, I was unaware of the diverse industries with franchising opportunities until a franchise broker enlightened me. This revelation ignited my passion for assisting others in finding suitable franchise ventures.

Brokers serve as crucial guides, akin to real estate agents in home buying, navigating potential franchisees through the complex process and educating them on due diligence. This role is essential for many aspiring business owners.

While I appreciate the intent to increase transparency through the proposed Act, I believe its broad reach may not effectively address the issue of "bad actors" and only makes non-disclosure or improper disclosure an illegal act and then justifies cause against the franchise broker, franchisor, or franchise broker representative. In its current form, it

could have unintended consequences, to the franchising business model as a whole.

Here are my primary concerns and suggestions:

1.

Impact on Small Emerging Brands: The Act might hinder small brands from growing due to financial constraints, disadvantaging buyers who could be limited to purchasing larger franchises in less desirable or saturated areas. This could create a monopoly of large brands, reducing buyer choice.

2.

Access to Quality Brokers: Buyers benefit from brokers who guide them through the process and provide access to various franchise options and resources. The onerous nature of the act, especially with the record keeping, registration and compliance of all parties, will surely lead to a significant amount of good brokers leaving. This limiting of the amount of good brokers being available could negatively impact buyers and franchisors. Buyers will be left with little guidance other than the internet search and paying for guidance through lawyers.

3.

Disclosure of Referral Fees: Requiring brokers to disclose referral fees may mislead buyers into thinking they bear the cost, despite paying the same amount regardless. Other sales industries, like executive headhunters, insurance agents, affiliate marketers, and countless other industries do not disclose their commissions to buyers. Franchising should be consistent with this practice. Additionally, disclosing fees without accounting for brokers' marketing and overhead costs, and the countless number of uncompensated hours we provide to potential buyers, presents an incomplete picture of our compensation. While it's fair to disclose that brokers receive compensation from franchisors, the specific amount is irrelevant as buyers do not pay for our free services.

4.

Scope of the Act: The broad scope of the act may inadvertently affect non-brokers involved in marketing and assisting franchisors, This can complicate compliance with the rule for all franchises and those who need to register. It broadly sweeps many others into the definition of a “broker”, making compliance seem nearly impossible, and ultimately could hinder franchises ability to market their brands as a whole.

Thank you for your time and consideration.

Best regards,

Edna Spearman
Franchise Broker

If you have enjoyed working with me, please take a moment and click [HERE](#) to provide a testimonial to help me serve others. Thank you in advance!



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Too many of us are not living our dreams because we are living our fears. -- Les Brown

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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This email does not constitute an offer of a franchise per the registration requirements by the Franchisor in some States. The following are the registration States (CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI).

The information provided in any PowerPoint presentation or brochure is found in greater detail in the franchisor's Franchise Disclosure Document. You should review the entire Franchise Disclosure Document carefully and seek the advice of a professional advisor prior to making any decision on whether to purchase this franchise. Do not rely on any information which is not consistent with the information in the Franchise Disclosure Document.