



Comments to NASAA on the Proposed Model Franchise Broker Registration Act
To: The Franchise and Business Opportunities Project Group ("Project Group") of the
Corporation Finance Section ("Section") of the North American Securities Administrators
Association, Inc. ("NASAA")

Via: NASAA Comments Inbox @ nasaacomment@nasaa.org
RE: Request for Public Comment on the Proposed NASAA Model Franchise Broker
Registration Act (the "Model Act")
Date: August 28, 2025

Introduction

My name is Sabrina Wall, and I am the CEO of the Franchise Brokers Association, a leading network of independent franchise brokers with 17 years of experience in the American franchise industry.

We thank you for the opportunity to provide feedback on the proposed franchise broker regulation recommendation.

Background

As an experienced franchise network, we believe we can offer an educated insight and perspective that would assist in ensuring the proposed recommendation best serves all stakeholders and the general public.

Our association has established industry-leading education, tools, and processes for our member franchise brokers, which currently stands at 186 independent franchise brokers. Our focus has been, and will remain, to serve our brokers, their candidates, and the greater franchise community with high integrity and ethical business standards. Our members must have a minimum of 5 years of management experience, must pass a professional standards review, must abide by a code of conduct and ethics, must take a sales compliance course delivered by an attorney, and must pass a sales compliance exam prior to completing their training and engaging in the franchise brokerage business through our organization.

Over the years, our association and its member brokers have educated over 250,000 prospective franchisee candidates, most of whom did not decide to become franchise owners. Of the roughly 1% of those who did purchase a franchise, our brokers have a reputation for introducing franchisors to their top-performing franchisees. We have never had a complaint or lawsuit against us.

Each of our members represents a small business in their local community but serves candidates nationwide. Our members educate their candidates on the value and opportunity of franchising (in particular for aspiring entrepreneurs who may not have any small business



experience). They educate their candidates on franchising's core benefits of joining a business with proven processes, franchise support, training, and brand benefit—all of which are essential for a person who may not have had previous small business experience.

Our franchisor portfolio of approximately 900 franchise brands represents franchise brands across 37 different categories of businesses and brands in various stages of growth, from emerging to mature, well-established franchises.. For each of the franchisors in our portfolio, we provide an important value-added service.

For emerging franchisors, we provide a lead source of better-qualified candidates for their franchise brand, allowing the franchisor to focus their resources on continuing to develop their internal processes and growing their brand. For mature franchises, we provide similar benefits and allow the franchisor to most efficiently use their time by interacting and engaging with educated, quality candidates for their franchise system. In all cases, the eventual decision for our candidates to become franchisees remains, and always will remain, a mutual and direct decision between the franchisor and the candidate.

We believe our franchise brokers serve an important role in supporting a prospective franchise owner through their process in identifying good franchises that are aligned with their candidates' capabilities, goals, aspirations, and individual constraints. To that end, we offer the following as items to consider

Addressing Industry Definitions and Misconceptions

We appreciate the opportunity to clarify significant confusing terminology that has emerged in discussions about franchise broker regulation. **The franchise industry uses different language and definitions than those employed by regulators**, creating substantial confusion about who this regulation seeks to regulate.

Industry-Standard Definitions:

- **Franchise Brokers (also called Franchise Consultants, Coaches, or Recruiters):** These individuals are recruiters who refer people to franchise systems. They do not manage or handle the sale for the franchise. They refer franchise prospects to the franchisor and are not authorized to sell on behalf of the franchisor. They have no authority in the decision-making process of the transaction.
- **Franchise Sales Organizations (FSOs):** Companies hired by franchisors to organize and manage the franchise award and sales process instead of the franchisor. FSOs run the bulk of the sales functions for the franchise and work with franchise brokers to send them interested parties.
- **Franchise Internal Representatives:** Independent contractors who work for the franchisor under the franchise's brand and can handle the franchise sales process or parts of it for the franchisor.



This terminology discrepancy has created tremendous confusion about the scope and intent of the proposed regulation.

Our Recommendations

We want to start with our recommendations first. The information following the recommendations explain why these recommendations should be considered as a real solution to the issue.

We understand some brokers are not educated about the laws and may be operating outside of them as a result. In our experience, that number is small relative to the industry size and impact. To create a solution, we suggest a common education platform with one national educational course instead of a per-state program. In an effort to support the industry and the educational concerns, our organization, along with several other franchise broker network leaders and several prominent franchise attorneys, will work together to provide the educational information to satisfy these requirements. We are willing to donate our time and resources to protect the franchise brokers industry. We are doing this in an effort to improve the standards of the education industry-wide and keep costs manageable for franchise brokers operating across the country.

You will find attached a table of contents for the course content. The national common education program can include each state's regulation and training requirements, as brokers work with candidates in all states.

We also suggest that automatic reciprocity between states be a built-in requirement of the Act. Franchise Brokering is not a localized business that could handle statewide segmentation. The reciprocity requested would be for the registration and educational requirements. If there were one registration that each state honored and one educational course, it would solve the concerns of the regulators. It would also keep this critical industry intact while continuing to foster franchise growth, small business education, job growth, and taxable income growth in each state.

[Exhibit 1](#)

Our Concerns with the Current Proposal

Regulatory Framework Should Reflect Industry Structure and Roles

The Model Act applies identical regulatory requirements to distinctly different industry participants with varying roles, responsibilities, and levels of authority in franchise transactions. This approach fails to recognize the fundamental structural differences within the franchise sales ecosystem and may create unintended regulatory gaps and compliance challenges.



Distinct Industry Roles and Functions

The franchise industry operates with three primary categories of sales-related professionals, each with different authorities and responsibilities:

Independent Franchise Brokers function as referral sources who:

- Connect prospective franchisees with appropriate franchise opportunities;
- Provide general education about franchising as a business model;
- Do not select specific opportunities for candidates;
- Cannot provide franchise disclosure documents (FDDs) - this is done exclusively by franchisors;
- Are contractually prohibited from offering franchises to candidates;
- Have no authority to approve or reject franchisee candidates; and
- Cannot bind franchisors in any transaction.

Franchise Sales Organizations (FSOs) operate with greater authority and responsibility:

- They are hired directly by franchisors to manage entire sales processes.
- May have authority to make representations on behalf of franchisors;
- Often control significant portions of the franchise development process; and
- Work under direct franchisor oversight and direction.

Embedded Franchise Sales Personnel function as extensions of the franchisor:

- Operate under direct franchisor employment or control;
- May have authority to bind the franchisor in certain circumstances; and
- Work within established franchisor policies and procedures.

Regulatory Implications of Different Roles

These distinctions have significant implications for appropriate regulatory oversight.

Independent franchise brokers, who function primarily as referral sources with limited authority, face fundamentally different regulatory considerations than franchise sales organizations or embedded franchise sales personnel who may have direct authority to act on behalf of franchisors.

Applying identical requirements across these different roles may result in:

- Over-regulation of parties with limited transactional authority;
- Under-regulation of parties with significant franchisor authority;
- Compliance confusion due to misaligned regulatory expectations; and
- Potential market distortions favoring certain industry structures.

Industry Input and Stakeholder Engagement

Effective regulation typically benefits from extensive input from the regulated industry. The current Model Act development process would benefit from broader engagement with actual franchise brokerage professionals to ensure the regulatory framework appropriately addresses the specific roles, risks, and operational realities of different industry participants.



The International Franchise Association has previously advocated against "one size fits all" regulatory approaches in other contexts, recognizing that effective franchise regulation must account for the diversity of business models and operational structures within the industry. See Exhibit 2 for a diagram of the various role responsibilities in the process. This diagram shows the responsibilities per party and the disproportionate focus on recruiter franchise brokers compared to parties that have authority over the transaction. This disparity is confusing.

Recommendation

We recommend that NASAA consider developing differentiated regulatory approaches that reflect the actual roles, authorities, and responsibilities of different industry participants, ensuring that regulatory requirements are appropriately matched to the level of authority and responsibility each type of professional exercises in franchise transactions.

Anti-Competitive Impact on Market Structure

The Model Act would disproportionately benefit large, established franchise systems while creating insurmountable barriers for emerging, growing brands and independent franchise brokers. The franchise systems cited as examples of "systems that work" according to Senator Cortez, such as Popeye's Louisiana Kitchen (3,200+ locations) and Dunkin' (14,000+ worldwide locations) - represent mature franchise organizations that no longer require third-party franchise broker services for growth.

These established systems, along with other major brands represented in the International Franchise Association's Hall of Fame - including McDonald's, KFC, Pizza Hut, Domino's, Subway, and Marriott - have sufficient resources and brand recognition to attract franchisees directly. The IFA's Hall of Fame consistently recognizes executives from billion-dollar franchise organizations with international footprints who have never needed to utilize independent franchise brokers.

Support from Industry Organizations

We acknowledge and respect the International Franchise Association (IFA) and their valuable contributions to franchising and small businesses. The IFA serves as an important voice for the franchise industry and provides significant benefits to their diverse membership base.

Understanding Different Perspectives within the Industry

We recognize that the IFA has expressed support for this legislation, and we understand their position reflects the interests of their membership. However, we believe it's important to note that the franchise industry is composed of many different types of businesses with varying needs and challenges.



The IFA's membership includes many of the largest and most established franchise systems in the world - companies that have achieved tremendous success and built strong international footprints. These systems, having reached maturity with hundreds or thousands of locations, typically have developed internal resources for franchise development, a well-known brand name, and may not rely on independent franchise brokers for growth.

The Perspective of Emerging Brands

In contrast, emerging and growing franchise systems (typically those with under 500 units) face different challenges and often rely on different growth strategies. These smaller, developing franchise systems frequently work with independent franchise brokers to access qualified candidates while they focus their resources on building their operational infrastructure and brand development.

Many of today's large, successful franchise systems grew into productive enterprises through franchise broker introductions during their emerging phase. This partnership allows emerging brands to become established systems cost-effectively and efficiently, enabling franchisors to focus on improving processes, operational efficiency, and franchisee support rather than expending significant resources on franchisee acquisition. This model creates a beneficial cycle where franchisors can dedicate their energy and resources to enhancing their brand and supporting existing franchisees, rather than deploying those resources primarily on finding new franchisees.

We believe this difference in operational needs and resources contributes to different perspectives on the proposed regulation within the franchise community. See Exhibit 3 for a diagram of these differences.

Concern About Barriers to Competition

Our concern is that well-intentioned regulations could inadvertently create barriers that limit competition in the marketplace. If the cost of compliance becomes prohibitive for independent franchise brokers, it could reduce the pathways available for emerging and growth franchise brands to expand, potentially concentrating market power among already-established systems.

The Model Act creates a regulatory structure where independent franchise brokers face significantly higher compliance costs than the franchisors they represent. Under the proposed framework, an independent franchise broker operating nationally would face:

- 50 different examinations and examination fees
- 50 different application and renewal fees
- 50 different continuing education programs and associated fees
- 50 different financial qualification requirements
- Potential licensing fees reaching hundreds of thousands of dollars annually



By contrast, franchisors registered in all franchise registration states typically spend under \$15,000 annually in filing and renewal fees without examination or continuing education requirements. This creates a system where the sales agents face compliance costs 10 times higher than the principals who actually provide franchise disclosure documents and enter into franchise agreements.

Exhibit 4

References to the exact language of the Act

Current Definition and Concerns

Section 2(2) defines a "franchise broker" as:

"any person that directly or indirectly engages in the business of the offer or sale of a franchise and receives, or is promised, a fee, commission, or other form of consideration from a franchisor, subfranchisor, or franchisee, or an affiliate of a franchisor, subfranchisor, or franchisee. "Franchise broker" does not include: (i) a franchise broker representative; (ii) a franchisor, a subfranchisor, or an affiliate of a franchisor or subfranchisor; (ii) the officers, directors, or employees of a franchisor, a subfranchisor, or an affiliate of a franchisor or subfranchisor; or (iv) a current franchisee of a franchisor or subfranchisor so long as the franchisee does not receive fees, commissions, or other forms of consideration valued at more than \$5,000 in a calendar year."

Key Issues with the Overly Broad Language

1. The "Indirectly" Problem

The inclusion of "indirectly" creates an unreasonably expansive scope that could capture:

- Marketing agencies that create promotional materials
- Lead generation companies
- Website developers who build franchise recruitment pages
- Advertising platforms that run franchise ads
- Referral sources who simply mention franchise opportunities

Recommendation: Remove "indirectly" from the definition to focus regulation on those who have actual authority and control in franchise transactions.

2. "Or Is Promised" Consideration



This language extends liability to parties who may never actually receive compensation, creating uncertainty for legitimate business relationships and potentially chilling normal business interactions.

3. "Other Form of Consideration"

This vague terminology could encompass:

- Training provided by franchisors
- Lead sharing arrangements
- Any business relationship with value exchange

The \$5,000 Franchisee Threshold Issue

The Model Act currently excludes franchisees from registration requirements only if they receive less than \$5,000 annually in referral fees. This creates several problems:

Why \$5,000 Is Too Low

1. This is not a Living Wage: \$5,000 annually represents approximately \$417 per month - hardly a primary income source
2. It punishes Healthy Systems: Franchisors should be able to incentivize their own franchisees to recruit quality candidates as proof of concept. Organic growth of successful franchise systems should be celebrated and encouraged. These actions are what all good regulations seek to create, good and fair business dealings.
3. Administrative Burden: Creates unnecessary compliance costs for franchisees making modest referral income.

Recommended Solutions

Option 1: Increase the threshold to \$50,000 annually

- \$50,000 represents an actual salary-level income
- Focuses regulation on those truly "in the business" of franchise brokerage
- Allows franchisees to participate in reasonable referral programs

Option 2: Remove the threshold entirely for current franchisees

- Existing franchisees are already invested in the system's success
- They have firsthand knowledge of the franchise opportunity
- Their referrals are based on actual operational experience



Analysis of Section 3(4) - Franchisor Liability for Unregistered Franchise Brokers

The Problem with Strict Liability

Section 3(4) creates a strict liability standard for franchisors, stating:

"It is unlawful for any franchisor or subfranchisor to use the services of a franchise broker representative to offer or sell a franchise in this state unless the franchise broker representative is registered under this act."

This provision places an unrealistic administrative burden on franchisors and creates several significant problems:

1. Lack of Knowledge Standard

The current language holds franchisors liable even when they have no knowledge that a broker has become unregistered. As noted in public comments, this is fundamentally unfair:

- A franchisor may verify a broker's registration initially, but if that broker's registration is suspended or revoked 6-9 months later without notification to the franchisor, the franchisor faces liability through no fault of their own
- Franchisors would need to continuously monitor the registration status of every broker they work with across multiple states

2. Administrative Burden Discourages Broker Use

The practical effect of this provision is to discourage franchisors from working with franchise brokers at all, particularly smaller, independent brokers:

- Large franchisors (500+ units) typically don't need brokers and can absorb compliance costs
- Small, growth, and emerging franchisors (under 500 units) rely heavily on brokers but cannot manage the administrative burden
- This creates an anti-competitive advantage for large franchise systems

3. Lack of Centralized Database

The Model Act requires franchisors to verify broker registration but provides no mechanism for doing so efficiently:

- No centralized, government-maintained database exists for verification
- Franchisors would need to check with each state individually
- The administrative burden becomes exponentially more complex for multi-state operations



Real-World Impact on Franchisors **Compliance Costs and Risks**

Under the current language, franchisors face:

1. Ongoing verification requirements across all states where brokers operate
2. Legal liability for administrative failures beyond their control
3. Increased compliance costs that may exceed the benefits of using brokers
4. Potential litigation from regulatory violations

Disproportionate Impact on Emerging and Growth Brands

The burden falls heaviest on the franchisors who most need broker services:

- Emerging franchisors (under 500 units) depend on brokers for growth but lack resources for extensive compliance monitoring
- Large franchisors already have internal sales teams and don't typically use independent brokers
- This creates a competitive moat protecting established brands from new market entrants

Section 4 (1)

"A franchise broker and a franchise broker representative must apply for registration by filing with the director (i) a completed application in a form the director prescribes by rule or otherwise, (ii) a consent to service of process, (iii) an irrevocable consent to jurisdiction and venue in the state, and (iv) the fee prescribed by Section 7."

Analysis:

Subsection (iii) raises significant procedural and practical concerns. The requirement for "irrevocable consent to jurisdiction and venue in the state" effectively waives fundamental procedural protections typically available to defendants in civil proceedings.

Specific concerns include:

Disproportionate Burden: Small franchise brokers operating nationally would be required to defend potential actions in multiple state jurisdictions simultaneously, creating an unreasonable litigation burden compared to larger entities with greater resources.

Venue Fairness: Traditional venue rules exist to ensure fairness in litigation by considering factors such as convenience of parties, location of evidence, and judicial efficiency. When a plaintiff brings a claim in an improper venue, the defendant has the right to move the court to dismiss the case. This blanket waiver eliminates these protections.



Forum Shopping: For brokers operating across state lines, this requirement could create conflicting jurisdictional obligations and forum shopping opportunities for potential plaintiffs.

Recommendation: We suggest either eliminating subsection (iii) entirely or limiting it to specific regulatory enforcement actions rather than all potential civil proceedings. If retained, it should include reasonable exceptions for circumstances where alternative venues would be more appropriate for the administration of justice.

Section 4 (5)(g)

"Is insolvent, either in the sense that the person's liabilities exceed the person's assets or in the sense that the person cannot meet obligations as they mature."

Analysis:

This solvency requirement creates significant and potentially unconstitutional barriers to entrepreneurship and new business formation. The provision is problematic on multiple levels:

1. **Contradicts Normal Business Practices:** The definition of insolvency used here would exclude many legitimate business startups and entrepreneurs who, as a standard business practice, utilize debt financing, business loans, or investor capital to launch their ventures. It is commonplace and financially prudent for new businesses to have initial liabilities that exceed immediate liquid assets while maintaining the ability to service their debt obligations.

2. **Discriminatory Impact:** This requirement disproportionately affects:

- New entrepreneurs without substantial personal wealth
- Minority and women-owned business enterprises
- Rural or economically disadvantaged applicants
- Younger professionals entering the franchise brokerage field

3. **Legal and Constitutional Concerns:** This requirement may violate equal protection principles by creating wealth-based barriers to market participation that bear no rational relationship to competency or public protection.

4. **Inadequate Business Understanding:** The provision demonstrates a fundamental misunderstanding of modern business financing, where successful enterprises often operate with debt-to-asset ratios that would technically trigger this exclusion.

Recommendation: We strongly recommend removing subsection (5)(g) entirely. If financial stability remains a concern, we suggest requiring evidence of ability to meet current business obligations rather than an arbitrary asset-to-liability test that conflicts with standard business practices and constitutional principles of equal market access.



Concerns Regarding the Alignment Between Cited Resources and Proposed Solutions

We appreciate the Project Group's efforts to research and cite relevant resources to support the Model Act. However, we respectfully suggest that a closer examination of these resources reveals some alignment concerns that merit discussion:

Resource Analysis and Observations:

First Cited Resource - David Lopez/Dental Fix RX Case:

We note that this Consent Order involved a franchise development director and other franchisor employees making improper financial performance representations. This case appears to center on franchisor employee conduct rather than independent franchise broker activities. We would welcome clarification on how this case specifically relates to the independent franchise broker regulation being proposed.

Second Cited Resource - General Complaint Statements:

The Project Group references complaints "over the years" from franchisees and franchisors about franchise brokers but provides no specific data, citations, or documentation. To properly evaluate the scope and nature of these concerns, we would appreciate access to:

- The number of documented complaints
- The specific nature of the complaints
- How these complaints were resolved
- Whether they involved independent franchise brokers versus other industry participants such as FSOs or internal representatives

Analysis of Actual NASAA Comment Letters Data:

We have conducted a thorough review of complaints documented in NASAA's public records from their 2024 comment period. Our analysis reveals a significantly different picture than the broad characterizations presented:

Total Complaints: According to NASAA's public record of comment letters, there were approximately 21 documented complaints from franchisees regarding franchise-related issues and 102 letters advocating for franchise brokers.

Concentration of Complaints: Remarkably, 100% of the documented franchisee complaints were related to a single franchise system - Premier Martial Arts - and their relationship with Franchise Fastlane, which operates as an FSO (Franchise Sales Organization), not as independent franchise brokers as traditionally defined in the industry.

Role of Independent Franchise Brokers: While two independent franchise brokers were mentioned in the complaints, their role was limited to introducing candidates to the franchisor



and FSO. The complaints did not allege misconduct by these independent brokers in the sales process itself.

Nature of Complaints: The substance of the complaints focused primarily on:

- The franchise business model being misrepresented as suitable for part-time operation
- Inadequate space requirements that differed from actual operational needs
- Claims that non-martial arts professionals could successfully operate the franchise
- Alleged misrepresentations about financial performance and operational requirements

Critical Distinction: These complaints are fundamentally about the franchise system's business model and operational representations - elements that are defined by the franchisor, not by independent franchise brokers or recruiters. The franchise model, operational requirements, and financial performance representations originate from the franchisor and are disclosed through the Franchise Disclosure Document (FDD), which independent franchise brokers are contractually prohibited from modifying or supplementing.

This data suggests that the regulatory response should focus on the actual source of the complaints - franchisor practices and FSO conduct - rather than creating barriers for independent franchise brokers who had minimal involvement in the alleged misconduct.

See Exhibit 5 for a breakdown of the comment letters.

Third Cited Resource - FTC Consumer Guide:

We appreciate the reference to the FTC's Consumer Guide. Our reading suggests this guide offers alternatives and verification methods rather than warnings about independent franchise brokers specifically. The guide's emphasis on due diligence and professional consultation aligns with our industry's best practices.

Fourth Cited Resource - Senator Cortez Masto Report:

We have carefully reviewed the Senator's 82-page report and note that it references franchise brokers in only two sentences. The report's primary focus appears to be on bad franchisor practices, including:

- Unfair contracts and agreements
- Inaccurate financial representations
- Overpriced products/services
- Vendor kickback arrangements



We would welcome discussion on how the Model Act addresses these primary concerns identified by the Senator.

Constructive Suggestion:

We believe a collaborative approach would involve examining how the Model Act could address the core issues identified in these resources cited, while ensuring appropriate regulation that distinguishes between different industry participants based on their actual roles and authority levels.

The Project Group's Fifth Cited Resource

The Project Group's fifth cited resource consists of unnamed "industry advisors" purportedly made up of "franchisee and franchisor advocates" who reportedly "noted that franchise brokers currently have no education or ethical standards" and "also suggested that there is no clear path to recovery by defrauded franchisees against a franchise broker who is alleged to have engaged in deceptive practices."

We respectfully submit that both assertions require clarification and correction.

Regarding Education and Ethical Standards

The assertion that franchise brokers lack education and ethical standards overlooks substantial existing educational infrastructure within the industry. The Franchise Broker's Association, for example, was established specifically to provide legal and ethical education and support to franchise brokers. Since its inception, thousands of hours of recorded and live presentations have been conducted by leading franchise legal, business, and ethical experts for hundreds of independent franchise broker members.

Many of the established franchise brokerage networks maintain extensive legal, business, and ethics training programs for their independent franchise broker members. We would respectfully encourage the Project Group's "industry advisors" to conduct a thorough inquiry into the nature and content of existing industry education and ethical standards before concluding that such standards do not exist.

Regarding Legal Remedies

The statement that there is no clear path to recovery by defrauded franchisees against franchise brokers appears to overlook well-established legal remedies available in all states. Franchise brokers, like other business professionals, are subject to existing fraud and misrepresentation laws.

To recover for fraud or misrepresentation in every state, the damaged party must demonstrate:

1. A false representation of a material fact: The defendant made a false statement of fact, which can be verbal, written, or implied through actions. This representation must be material, meaning it was significant enough to influence the plaintiff's decision to act.



2. Knowledge of falsity (or reckless disregard for the truth): The defendant either knew the representation was false, had no belief in its truth, or was reckless regarding its veracity.
3. Intent to induce reliance: The defendant made the false representation with the intention of inducing the plaintiff to rely on it.
4. Justifiable reliance: The plaintiff actually relied on the false representation.
5. Resulting damage or loss: The plaintiff suffered harm or damages as a direct result of their reliance on the false representation.
- 6.

These legal standards for recovery have been consistently applied across all 50 states for hundreds of years. This established legal framework addresses the concerns raised by the Project Group and its industry advisors regarding alleged misconduct by independent franchise brokers, franchise sales organizations, and salespeople embedded within particular franchisors.

In addition to intentional or negligent misrepresentation as a long-recognized and existing path to recovery for franchisees, all States have deceptive practices acts and many States have little FTC Acts and/or State franchise legislation, which, in addition to an action for misrepresentation, provide relief to damaged franchisees. Furthermore, a comprehensive salesman disclosure framework already exists under current law. Franchise registration states currently require franchisors to file Form D - Franchise Seller Disclosure Forms for all persons who will solicit, offer, or sell franchises, including independent franchise brokers. This existing disclosure document requires detailed background information, litigation history, criminal convictions, and employment history for all franchise sellers - precisely the type of information the Model Act purports to address through new regulation.

Exhibit 6

The Project Group's Sixth Cited Resource: Keith Miller's Commentary on Franchise Questionnaires and Acknowledgements

Mr. Miller holds himself out as a "franchisee advocate" and is a franchisee of the franchise system Subway. His commentary focuses on franchise questionnaires and acknowledgements used by franchisors in their FDDs, rather than independent franchise brokers.

Mr. Miller's analysis centers on franchisor practices and their impact on prospective franchisees. In his commentary, he expresses concerns about the purpose and implementation of franchise questionnaires, writing:

"Which gets us to the topic at hand. What is the purpose of questionnaires or acknowledgments? Well, it's obvious, to shield the franchisor from any liability or responsibility for improper information the prospect franchisee receives. It's really that simple. Yet, how wrong is that? I have spoken to so many franchisors, contacting me in



their time of need, desperate that they relied on information they received, and now are losing everything they have. We have to remember that when a franchisee invests in a franchise, with personal guarantees, they are often putting ALL their assets at risk. Being given false information can financially ruin them. This is why this is so important. If only some of these franchisors and their lawyers cared about the pain inflicted on a failed franchisee, at times caused by improper disclosure."

We respectfully suggest that Mr. Miller's concerns could support a different approach to franchise protection. Rather than eliminating these disclosure tools, we believe franchisors, independent franchise brokers, and the franchising industry would benefit from knowing when prospective franchisees have received information inconsistent with the FDD. This knowledge could help stop problematic transactions before franchisees risk their assets.

We propose that effective questionnaires and acknowledgements could serve as early warning systems rather than shields. When a prospective franchisee indicates they have received information inconsistent with the FDD, this could trigger a pause in the sales process, allowing all parties to clarify representations and ensure accurate understanding before the franchisee proceeds with their investment.

Seventh Cited Resource:

Finally, the Project Group's seventh cited resource is from a law firm (i.e., Dady & Gardner) that has made many millions of dollars suing franchisors. On its own website, the firm states that they "have never represented a franchisor" (See, <https://www.dadygardner.com/>). The resource cited is simply another comment letter supporting prohibition by franchisors from using questionnaires and acknowledgments. It suffers from all the same weaknesses as does the Miller commentary on questionnaires and acknowledgments, but it goes two steps further.

First, it claims without evidence that franchisors and franchise brokers routinely tell prospective franchisees not to hire an attorney to review the FDD. This assertion is factually incorrect and demonstrates a fundamental misunderstanding of industry practices. Franchise attorney recommendations are a standard part of the franchise broker process, with well-established professional relationships between franchise attorneys and franchise brokers in the field. This collaborative approach serves to protect prospective franchisees by ensuring they receive qualified legal counsel.

Moreover, every FDD provides multiple warnings and directs all prospective franchisees to hire an attorney to review and advise on the FDD.

Second, the reason why a firm like Dady & Gardner would argue against a form whereby a prospective franchisee would disclose to the franchisor that that prospective franchisee was



NOT induced by representations which are inconsistent with the FDD is because that's exactly how the firm earns its money, suing franchisors for fraud / misrepresentation. Written disclosures by prospective franchisees relied upon by franchisors serve as a defense to a claim for fraud / misrepresentation (See, above analysis of fraud / misrepresentation requiring a material misrepresentation which is relied upon by the plaintiff in order to recover plaintiff's damages).

Conclusion

Unintended Consequences and Economic Impact

The proposed Model Act will disproportionately harm emerging franchise systems with fewer than 500 units, stifling entrepreneurship and competition in local markets nationwide. The legislation's cumulative financial burden threatens to eliminate independent franchise brokers who serve as vital connectors between qualified entrepreneurs and emerging franchise opportunities.

This reduction in franchise development resources will have cascading effects: fewer new businesses entering state markets, reduced job creation in local economies, and diminished access to professional franchise guidance for prospective business owners. Many franchise brokers currently encourage thorough due diligence, recommend professional legal counsel, and caution candidates against rushed investment decisions—protective services that will be lost if independent brokers are forced from the market.

Constructive Path Forward

Rather than implement a complex regulatory framework that may inadvertently harm the industry it seeks to protect, we respectfully propose a collaborative approach:

Industry-Led Education: Our organization, alongside other leading franchise broker networks, stands ready to develop and maintain comprehensive educational resources and ethical standards for the broader franchise brokerage community.

Targeted Remedies: Focus regulatory efforts on actual misconduct through existing legal frameworks rather than creating broad registration requirements that impact all industry participants equally.

Partnership in Solutions

We recognize regulators' legitimate concerns about protecting prospective franchisees and maintaining market integrity. However, the current regulatory environment emphasizes reducing unnecessary administrative burdens on America's small businesses and promoting competition. We believe these principles align with creating a healthy franchise marketplace.



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The franchise brokerage industry has demonstrated minimal litigation exposure precisely because most brokers operate as referral sources without transaction authority. Rather than overregulating an industry with few documented problems, we respectfully suggest working together to develop targeted solutions that address specific concerns without undermining the competitive marketplace that benefits consumers, emerging franchise brands, and economic growth.

We remain committed partners in finding balanced solutions that protect all stakeholders while preserving the vital role franchise brokers play in American entrepreneurship and small business development.

Thank you for your time and consideration.

Sabrina Wall
CEO
Franchise Brokers Association



Exhibit 1 - Compliance Course Table of Contents

Legal Course: Sales Compliance

The importance of compliance in franchise brokering.

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- 1.3 Signing Agreements

Module 2: Financial Performance Representations & Earnings Claim

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Module 4: First Personal Meeting

Module 5: FDD Receipt Page

- 5.1 No Electronic Support for FDD Review

Module 6: Franchise Sellers

- 6.1 Seller Disclosure Form

Module 7: Franchise Resales

Module 8: Finding Misinformation and What to Do About It

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Module 10: Renewals or Annual Reports

Module 11: Franchise Registration States

- 11.1 State Law Addenda

Module 12: State Advertising Laws



Legal Course: Earning Claims

Stay Out of Trouble: Franchise Brokers' Guide to Navigating Earnings Claim (FPR) Laws

Introduction

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- 1.1 How the Law Puts It – Defining an Earnings Claim or Financial Performance Representation (FPR)
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- 3.1 Reading an Item 19 or FPR
- 3.2 Candidates Pushing to Rule Break
- 3.3 Franchisors Making Claims
- 3.4 PowerPoints, Advertising, and Steering

Module 4: Case Law

- 4.1 Case Studies

Module 5: Protections

- 5.1 How to Protect Myself – Setting the Stage
- 5.2 Disclaimers and Admonishments
- 5.3 General Statements vs. Franchise-Specific Statements
- 5.4 Liability Safeguarding
- 5.5 Resources to Review

Module 6: Final Thoughts

- 6.1 Remembering Your Purpose as a Franchise Broker



Exhibit 2 - Franchise Award Process By Responsible Party

Exhibit 2 - Franchise Award Process By Responsible Party (simple)							
		Franchisor Only	Franchisor With Broker	With Internal Rep *	With Internal Rep and Broker	With FSO	With FSO and Broker
Layer 3	Mutual Decision & AWARD	Leadership	Leadership	Leadership	Leadership	Leadership	Leadership
	Territory Selection	Brand Rep	Brand Rep	Internal Rep Franchise Leadership	Internal Rep Franchise Leadership	FSO Franchise Leadership	FSO Franchise Leadership
	Legal Review	Brand Rep Attorney	Brand Rep Attorney	Internal Rep Attorney	Internal Rep Attorney	FSO Attorney	FSO Attorney
	Discovery Day	Franchisor Staff	Franchisor Staff	Franchisor Staff Internal Rep	Franchisor Staff Internal Rep	Franchisor Staff FSO	Franchisor Staff FSO
	Executive Approval from Brand	Leadership	Leadership	Leadership	Leadership	Leadership	Leadership
Layer 2	Franchisee Validation	Brand Rep	Brand Rep	Internal Rep	Internal Rep	FSO	FSO
	FDD Review & Application	Brand Rep	Brand Rep	Internal Rep	Internal Rep	FSO	FSO
	Present Brand (Detailed)	Brand Rep	Brand Rep	Internal Rep	Internal Rep	FSO	FSO
Layer 1	Speak with Prospect, Sort, Qualify, Disqualify, Educate, Introduce Brands	Qualifier	Recruiter Broker	Internal Rep	Recruiter Broker	FSO	Recruiter Broker
	Lead Generation						
	Websites						
	SEO						
	Social Media	Marketing Provider or Internally Generated	Recruiter Broker Generated	Marketing Provider or Internally or Internal Rep Generated	Recruiter Broker Generated	Marketing Provider or Internally or FSO Generated	Recruiter Broker Generated
	Online Ads						
* Internal Rep Responsibilities may vary		Color Key =		Franchisor	FSO or Internal Rep	Franchisor & Internal Rep or FSO	Recruiter Broker

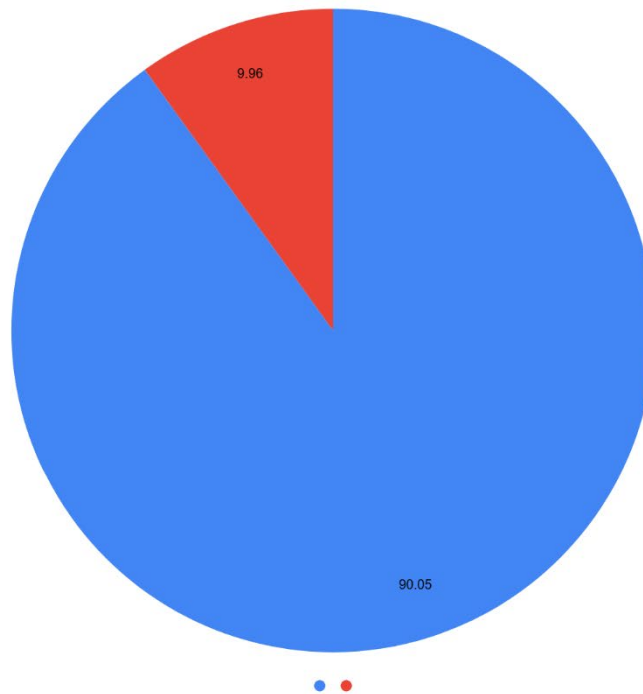
The bulk of the parties being regulated are in the orange group. The green parties control the sales functions. This is disproportionate.

Table 1.



Franchise Award Process By Responsible Party

Blue = Franchisors, FSOs, Internal Rep. Red = Recruiter Franchise Brokers



Red is what the recruiter franchise broker controls. Blue is controlled by the franchisor, FSO, and internal rep. Table 2.



Franchise Investigation & Award Process Steps by Responsible Party				
	Franchisor	Internal Rep	FSO	Broker
Lead generated via marketing, referral, or broker network	TRUE	TRUE	TRUE	TRUE
Initial inquiry received by franchise development team	TRUE	TRUE	TRUE	TRUE
Respond to inquiry via email or phone	TRUE	TRUE	TRUE	TRUE
Schedule introductory call with prospect	TRUE	TRUE	TRUE	TRUE
Send initial information packet about the franchise concept	TRUE	TRUE	TRUE	TRUE
Conduct first qualification call to understand prospect goals and timeline	TRUE	TRUE	TRUE	TRUE
Explain the franchise model, support structure, and investment range	TRUE	TRUE	TRUE	TRUE
Assess financial qualifications and geographic interests	TRUE	TRUE	TRUE	TRUE
Introduce prospect to franchise development representative	TRUE	TRUE	TRUE	TRUE
Invite prospect to complete initial application form	TRUE	TRUE	TRUE	X
Review prospect's application and pre-qualify for next steps	TRUE	TRUE	TRUE	X
Provide Franchise Disclosure Document (FDD) delivery requirements	TRUE	TRUE	TRUE	X
Confirm receipt of FDD and start 14-day review period	TRUE	TRUE	TRUE	X
Walk prospect through the FDD on scheduled call	TRUE	TRUE	TRUE	X
Explain key sections: Item 7 investment, Item 19 earnings, royalties, and obligations	TRUE	TRUE	TRUE	X
Answer questions about the FDD and clarify expectations	TRUE	TRUE	TRUE	X
Send sample franchise agreement for review	TRUE	TRUE	TRUE	X
Encourage prospect to consult with an attorney and CPA	TRUE	TRUE	TRUE	X
Discuss financing options, SBA loans, or alternative funding sources	TRUE	TRUE	TRUE	X
Confirm liquidity, net worth, and funding plan with prospect	TRUE	TRUE	TRUE	X
Provide list of existing franchisees for validation calls	TRUE	TRUE	TRUE	X
Guide prospect on how to conduct validation conversations	TRUE	TRUE	TRUE	X
Schedule follow-up call to discuss insights from franchisee validation	TRUE	TRUE	TRUE	X
Address concerns and objections raised during validation	TRUE	TRUE	TRUE	X



Share detailed pro forma templates	TRUE	TRUE	TRUE	X
Confirm readiness to proceed to Discovery Day	TRUE	TRUE	TRUE	X
Schedule Discovery Day at franchisor headquarters or virtual session	TRUE	TRUE	TRUE	X
Prepare prospect agenda, including meetings with executives and operations team	TRUE	TRUE	TRUE	X
Conduct Discovery Day presentation and site tours	TRUE	TRUE	TRUE	X
Answer final operational, marketing, and support questions	TRUE	TRUE	TRUE	X
Evaluate prospect's cultural fit and brand alignment	TRUE	TRUE	TRUE	X
Franchise development team debriefs after Discovery Day	TRUE	TRUE	TRUE	X
Executive team decides on franchise approval or denial	TRUE	X	X	X
Send formal franchise award notification to prospect	TRUE	TRUE	TRUE	X
Finalize franchise agreement with legal team	TRUE	TRUE	TRUE	X
Prospect reviews and signs franchise agreement	TRUE	TRUE	TRUE	X
Collect initial franchise fee and issue receipt	TRUE	TRUE	TRUE	X
Set up prospect in franchise onboarding system	TRUE	X	X	X
Provide welcome packet and key contact information	TRUE	X	X	X
Schedule kickoff call with operations and training team	TRUE	X	X	X
Assign onboarding specialist to new franchisee	TRUE	X	X	X
Provide site selection criteria and real estate support if applicable	TRUE	X	X	X
Assist franchisee with business plan and funding finalization	TRUE	X	X	X
Send pre-training materials and operations manual	TRUE	X	X	X
Schedule and conduct initial franchisee training program	TRUE	X	X	X
Prepare local marketing plan and grand opening strategy	TRUE	X	X	X
Conduct weekly onboarding check-ins until location opens	TRUE	X	X	X
Transition franchisee to ongoing field support team	TRUE	X	X	X

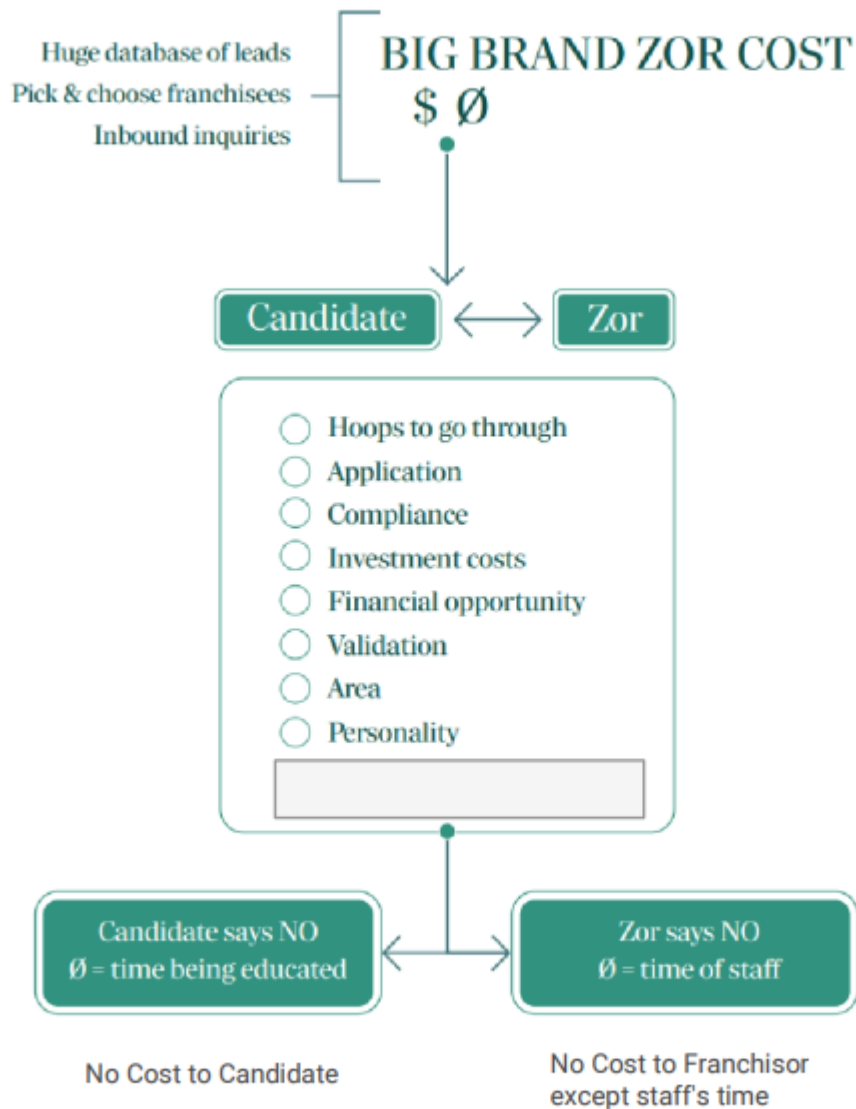
Table 3



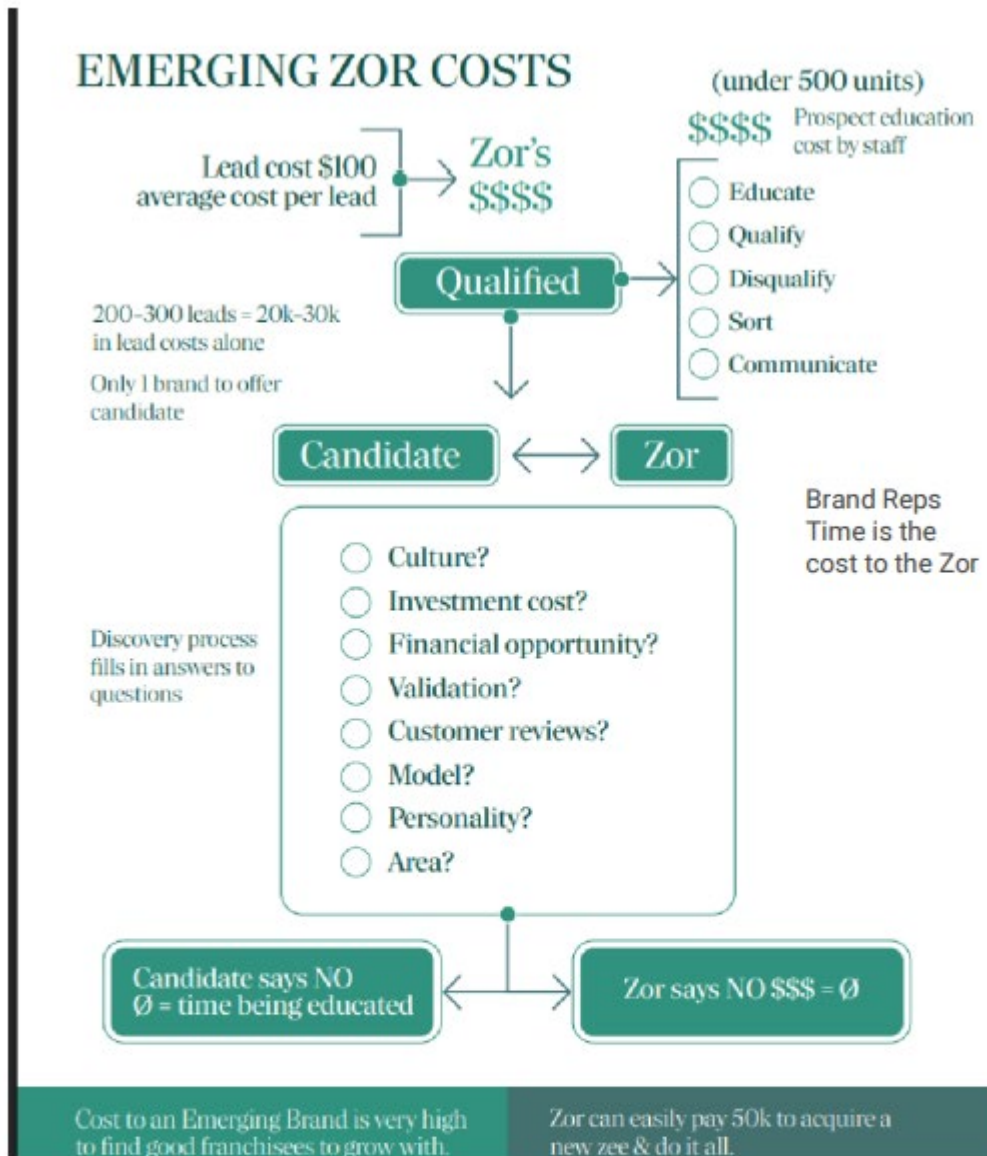
Exhibit 3 – New Franchisee Acquisition Costs Example



New Franchisee Acquisition Costs



Big Franchise or Zor Brands have a much lower franchisee acquisition cost due to their market dominance and name recognition.



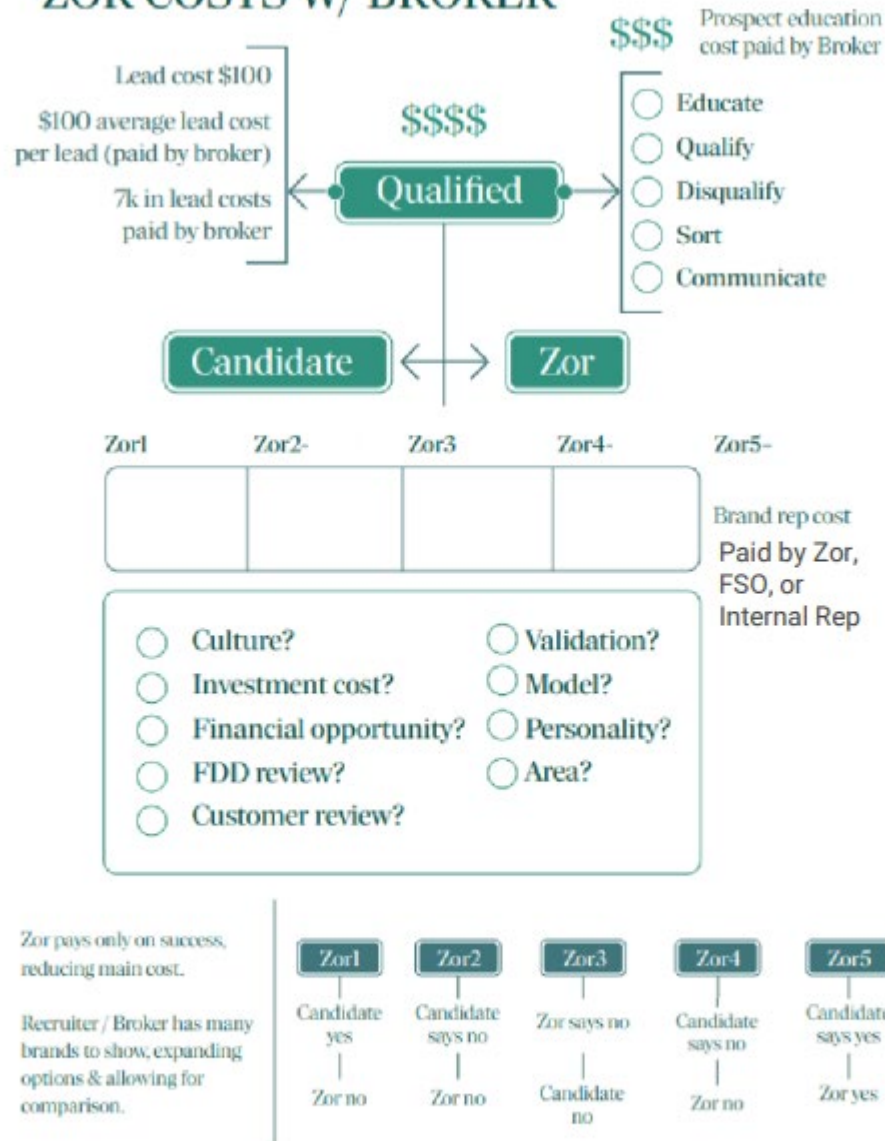
No Cost to Candidate

High Cost to Franchisor
for No Result

Growth and Emerging Brands (Under 500 units) have a high cost of franchisee acquisition. It is substantial. They pay it upfront, reducing their capital to support franchisee owners currently in the system.



ZOR COSTS W/ BROKER



Zor only pays on successful placements allowing them to manage costs and support their growth more effectively.



Exhibit 4 – Comparative Cost Diagram Examples

Comparative Cost Diagrams

Florida Real Estate License Cost

Cost Item	Low Estimate	High Estimate
 Pre-Licensing Course	\$140	\$650
 Fingerprinting & Background Check	\$80	\$90
 License Application (DBPR)	\$62.75	\$62.75
 Exam Fee (Pearson Vue)	\$36.75	\$36.75
 Exam Prep (Optional)	\$100	\$250
 Total	\$420	\$1,090

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<https://goldcoastschools.com/news/how-much-real-estate-license-florida/>



Potential Franchise Broker Licensing requirements

Breakdown of Direct Costs [Per State – CA Example]

Example CA Estimated Broker Registration Fees and Costs

Fee/Cost Category	Amount (USD)	Notes
 Application Filing	\$450	Per company/entity
 Broker Representative Registration	\$450	Per individual broker
 Appointment Setter Registration	\$450	Per staff member
 Education/Training	\$500	Mandated education/certification
 Renewal Fee (Annual)	\$250	Usually \$50+ per staff change
 Staff Change Update	\$50	Per change in registered brokers
 Insurance Requirement (Annual)	\$2,000–\$12,000	Depends on coverage and role



Example Scenario

Assume a franchise broker company with the following structure in one state:

- 1 company (parent entity)
- 2 brokers
- 1 appointment setters

Year 1 Costs

- Company Application/filing: \$450
- Broker reps (2): $2 \times \$450 = \900
- Appointment setters (1): $1 \times \$450 = \450
- Education fee (3): $3 \times \$500 = \$1,500$
- Insurance (3): $3 \times \$2,000 = \$6,000$ (*assuming low end*)
- Renewal/update (est.): $\$50 \times 4$ (staff updates) = \$200

Total Annual Costs Per State:

$\$450 + \$900 + \$450 + \$1,500 + \$6,000 + \$200 = \$8,150$ first state

If all 50 states adopted similar rules:

- First state = \$8,150
- Estimated total: $(\$8,150 - \$6,000) = \$2,150 \times 49 = \$113,500$ annually

Costs may vary based on company size and insurance rates, but this scenario illustrates the **exponential financial burden** of duplicative state regulation. These costs could:

- The increased regulatory compliance costs will necessitate higher referral fees to brokers, which franchisors will ultimately pass on to prospective franchisees through increased franchise fees and other acquisition costs.
- Disincentivizes brokers from operating
- Hamper new broker and appointment setter recruitment
- Reduce resources available for genuine compliance and education to prospects
- Inefficiency for regulators (as much of the data is duplicative and brokers have no direct sales authority)



Impact on Franchise Sector

This calculation clarifies that such financial and administrative overhead directly impedes:

- Franchise sector growth by limiting broker participation
- Innovation and market access for emerging brands
- Resource allocation to substantive compliance (rather than paperwork)

A versatile, **centralized national filing/training solution**—as proposed by your organization—would eliminate most of these duplicative costs and amplify compliance oversight benefits.

Exhibit 5 – NASAA 2024 MODEL Broker Registration Act Comments Table

NASAA 2024 MODEL Broker Registration Act Comments Table

Categorized by what the issue is and who it is with



The Data In the 2024 NASAA Letters

1. There were 21 franchisee complaint letters and 5 additional compliant letters from attorneys and industry professionals.
2. NASAA's Project Group does not mention the 102 positive letters supporting franchise brokers who are against the regulation in the current proposal. Only the negative comment letters are referenced.
3. NASAA's Project Group does not mention if the 100 duplicate letters were in support of franchise broker regulation or against it. This information is currently unknown.
4. Many of the franchisee in the complaints are holding the FSO accountable for things the FSO does not do.
 - a. The FSO does not create the Item 19.
 - b. The FSO does not create the franchisors model.
 - c. The complaints are misguided due to a lack of understanding about who does what in the process.
5. The complaint letters are using the term franchise broker to refer to an FSO, not recruiter franchise brokers.
6. The Recruiter Franchise Broker is only mentioned 2 times and the complain only states that the broker introduced the candidate to the FSO and Franchisor.
7. The complaints are around only one franchise, Premier Martial Arts (PMA).
8. The FSO in the PMA case was sued. There was recourse for the franchisee.

Issue Stated by Franchisee	Number of complaints	Covered by Existing Law	Who defines and controls the issue stated?	Who was referenced in the complaint?	Linked complaint
Earnings claims made	(10 mentions of 21 letters)	Yes, if violated	<ul style="list-style-type: none">• The FSO and Franchisor	<ul style="list-style-type: none">• Franchise Fastlane (All Complaints)• Premier Martial Arts (All Complaints)• 1 - Franchise Broker Marilyn Imparato (Lara Breuche complaint - Broker referred only in the compliant)• 1 - Franchise Broker Guiseppe Grammatico (Tim Ellisor Complaint - Broker referred only in the compliant)	1 - David and Emma Blackwell 2 - Shane Taylor 3 - Katie Baker 4 - Lara Breuche 5 - Tim Ellisor 6 - Scott Rubant 7 - Joshua and Kimberly Ragland 8 - Peter and Michelle Silberman 9 - Scott Steele 10 - The Thibeauxs



Issue Stated by Franchisee	Number of complaints	Covered by Existing Law	Who defines and controls the issue stated?	Who was referenced in the complaint?	Linked complaint
Semi Passive	(6 mentions of 21 letters)	Yes, if violated	<ul style="list-style-type: none"> The FSO and Franchisor 	<ul style="list-style-type: none"> Franchise Fastlane (All Complaints) Premier Martial Arts (All Complaints) 	1 - Katie Baker 2 - Lara Breuche 3 - Scott Rubant 4 - Joshua and Kimberly Ragland 5 - Scott Steele 6 - Colette Young
Non Martial Artist	(2 mentions of 21 letters)	No	<ul style="list-style-type: none"> The Franchisor 	<ul style="list-style-type: none"> Franchise Fastlane (All Complaints) Premier Martial Arts (All Complaints) 	1 - Scott Rubant 2 - Peter and Michelle Silberman

Issue Stated by Franchisee	Number of complaints	Covered by Existing Law	Who defines and controls the issue stated?	Who was referenced in the complaint?	Linked complaint
Validation restrictions	(5 mentions of 21 letters)	No	<ul style="list-style-type: none"> The FSO and Franchisor 	<ul style="list-style-type: none"> Franchise Fastlane (All Complaints) Premier Martial Arts (All Complaints) 	1 - Joseph Feicht 2 - Morris Lifschutz 3 - Stacey & Eric Petrosevich 4 - Scott Rubant 5 - Peter and Michelle Silberman
Number of Employees required	(4 mentions of 21 letters)	No	<ul style="list-style-type: none"> The Franchisor 	<ul style="list-style-type: none"> Franchise Fastlane (All Complaints) Premier Martial Arts (All Complaints) 	1 - Joseph Feicht 2 - Sean McNally 3 - Scott Rubant 4 - Colette Young

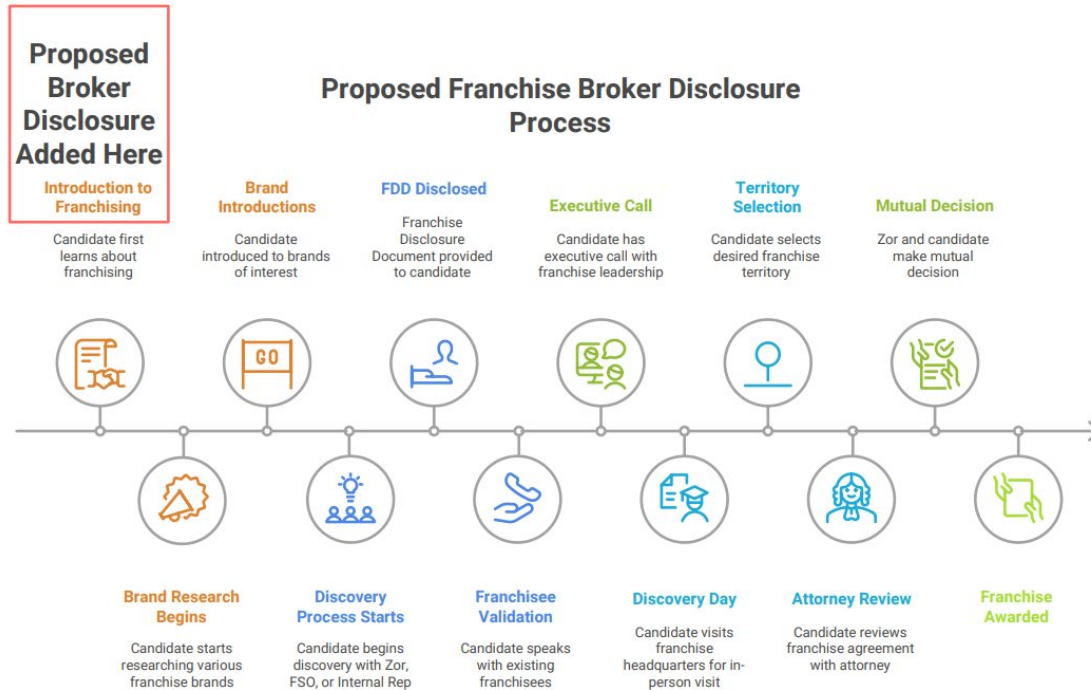


Issue Stated by Franchisee	Number of complaints	Covered by Existing Law	Who defines and controls the issue stated?	Who was referenced in the complaint?	Linked complaint
Misrepresentations (False representations based on franchisor provided details on total investment, support, false item 19 data)	(9 mentions of 21 letters)	Yes, if violated	<ul style="list-style-type: none"> The FSO and Franchisor 	<ul style="list-style-type: none"> Franchise Fastlane (All Complaints) Premier Martial Arts (All Complaints) 	1 - Bill Johnson 2 - Eris Lasku 3 - Morris Lifschutz 4 - Sean McNally 5 - Stacey & Eric Petroseovich 6 - Joshua and Kimberly Ragland 7 - Scott Steele 8 - The Thibeauxs 9 - Graham Waters

Exhibit 6 – Duplication of Current Laws

Current Franchise Broker Disclosure Process





ORANGE - Recruiter Franchise Broker Role Responsibility

BLUE - Franchisor, FSO and/or Internal Rep Control

Teal - Franchisor, FSO and/or Internal Rep Control & Franchisor Control

Green - Franchisor ONLY Control

Additional Comments: If claims are made inconsistent with the FDD and/or the Item 19, existing laws protect franchisees.

- Fraud claims already exist.
- State franchise legal protections, already exist.
- State deceptive practice laws, already exist.

Anyone harmed in the current process, has access to information needed for a lawsuit through the current Salesman Disclosure Document given at the end of the award process.



Anyone who did not purchase a franchise, would not have cause because no financial commitment was made to any of the Franchise Broker, the Franchisor, FSO, or Internal Rep in the process.

Summary:

Moving the disclosure to earlier in the process doesn't help prospects. The prospect isn't investigating or buying from the broker. The prospects have free and full authority to talk to and work with whoever they want in the discovery process. There is no commitment for services, no risk, no obligation, and no charge.

It is a duplication of existing laws. If a franchisee party is harmed, they have the information to seek a claim. If no, franchise is awarded, then there is no harm.

If the effort is to increase state revenue through fees, any fees to a state would be counter effective as the reduction in new business and jobs into the state would be reduced at a greater negative impact to the state.

If the intent is to know how many lawsuits are against a recruiter franchise broker, there are very few lawsuits involving a recruiter franchise broker because the recruiter franchise broker are not the people selling the franchise. The purchase is with the franchise system and therefore the attention and focus is on the merits of the franchise and its offer. All of which can be thoroughly researched prior to any financial commitment.

Additional Comments: The legislative influences know the legal recommendation are duplicative.

On Sabrina Wall's Linked in feed related to the California SBA 919 proposed legislation effort.



Michael Seid (He/Him) • 1st

3d (edited) ***

Managing Director at MSA Worldwide, Member IFA Board of Directors, Au...

Sabrina

Franchisors have always been able to seek damages against a broker, including for rescission, when the broker violated the CFIL. SB919 does not change that or create anything new. Similarly, a franchise broker has always been potentially liable to a franchisee when the franchisee incurred damages as a result of the franchise broker's violation of the CFIL. SB919 does not create anything new here either.