Via: Email

To: nasaacomments@nasaa.org

Cc: Theresa.leets@dfpi.ca.gov; bill.beatty@dfi.wa.gov; ehouston@sos.nv.gov

RE: Request for Public Comment on the NASAA Model Franchise Broker Registration Act

Dear Project Group Members,

Thank you for the opportunity to comment on the proposed NASAA Model Franchise Broker Registration Act ("Model Act"). I have worked in the franchising industry for nearly two decades. During this time, I have owned multiple franchises as a franchisee, operated additional franchise locations, and served as CEO and partner of an emerging brand franchise system. I currently own and operate an independent franchise broker business, serving aspiring entrepreneurs nationwide.

After careful review of the proposed Model Act, I am deeply concerned that the regulation does not address a clearly defined problem within franchising and, in fact, creates significant unintended consequences that would harm entrepreneurs, small businesses, and the franchising industry as a whole.

Concerns with the Model Act

- **Unclear Problem Statement**
  The proposal does not identify the specific market failure or consumer harm it intends to solve. Franchising already has some of the most comprehensive consumer protection measures in business opportunities today, including mandatory Franchise Disclosure Documents (FDDs), state-level oversight in registration states, and mandatory waiting/cooling-off periods. Additional regulation of franchise brokers is redundant and unnecessary.

- **One-Size-Fits-All Approach**
  The Model Act applies the same burdensome framework to all brokers regardless of size, capacity, or operating model. This lumps together:

    - **Large broker networks** that represent broad portfolios of brands and operate with established compliance systems.

    - **Independent or boutique brokers** who represent fewer brands and offer highly personalized guidance to clients.
      The Act risks disproportionately harming smaller firms and independent

brokers, who lack the resources of large networks, thereby reducing consumer choice and diversity in broker services.

- **Existing Training and Safeguards**
  Franchise brokers already undergo rigorous training before practicing. In many cases, this includes five or more weeks of intensive instruction covering:
  - The structure and mechanics of the franchise industry.
  - Best practices in identifying, vetting, and presenting franchise opportunities to clients.
  - Ethical responsibilities to match candidates with brands aligned to their skills, goals, and resources.
    Additionally, franchise brokers function more like coaches, consultants, or portals (similar to Franchise Gator or other lead-generation platforms). The actual transaction, due diligence, negotiations, and franchise agreement process occur after the candidate selects a brand, at which point the broker's influence is minimal.
- **Strong Existing Consumer Protections**
  Franchisees are already protected through extensive safeguards, including:
  - The **acknowledgment and mandatory review period of the Franchise Disclosure Document (FDD)**, which provides standardized and detailed information.
  - A **14-day cooling-off period** before any agreements can be signed or money exchanged.
  - **State registration reviews** in regulated states, where FDDs undergo additional scrutiny to ensure compliance with state law.
    These mechanisms ensure transparency and informed decision-making without the need for duplicative broker regulations.

Negative Impact of the Model Act

- **Administrative and Financial Burdens**
  The proposed requirements would impose duplicative and costly registration, reporting, and compliance obligations across multiple states. For small businesses like mine, these burdens are unsustainable and existential.
- **Barrier to Entry and Reduced Access**
  New compliance hurdles would discourage experienced entrepreneurs from

entering the broker profession, leading to fewer brokers available to serve clients. With fewer independent brokers, aspiring franchisees—especially those outside major markets—will lose access to valuable coaching and personalized guidance.

- **Unintended Consequence: Less Consumer Protection**
  By driving brokers out of business, the Model Act has the potential to eliminate a vital resource within the franchise ecosystem. This has the potential of reducing consumer choice and may increase the risk of clients not understanding their fullest set of brand options, rather than those best aligned to their needs. Ironically, this increases the very risk of bias and misalignment that the Act purports to address.

- **Potential Harm to Franchising as an Industry**
  Franchising is one of the most transparent and well-regulated business ownership paths available today. Imposing new regulations without a demonstrated need will not only harm brokers but also slow franchise system growth, reduce entrepreneurial opportunities, and ultimately harm the economy.

Conclusion

The Model Act, though well-intentioned, creates more problems than it solves. Franchising already provides prospective entrepreneurs with extensive protections, structured disclosures, and standardized documentation. Adding another layer of regulation on franchise brokers is duplicative, costly, and harmful to small businesses.

I strongly urge NASAA to reconsider advancing this proposal in its current form. Instead, I recommend that the Project Group engage directly with industry stakeholders—including independent brokers, franchise networks, and franchisors—to identify genuine risks and explore targeted, collaborative solutions that preserve consumer protection without dismantling small businesses and harming the broader franchise ecosystem.

Thank you for considering these comments. I welcome the opportunity to participate in further discussions to help craft solutions that protect consumers while ensuring the health and growth of the franchising industry.

Respectfully submitted,

Leo Tudela
Executive Director
Venture Crafters LLC dba VentureFran
Leo.tudela@venturefran.com