Hi,

I've been in franchising for almost 20yrs, with the majority of that time spent on the Franchisor side of the business. I am very concerned about

My main concerns with the NASAA Model Franchise Broker Act Comments are:

The definition of "franchise broker" in the Act is far too broad and would capture individuals who simply make referrals or provide information, not those actually engaged in franchise sales. This would require countless business professionals to register unnecessarily.

Definition Problems

The current definition of "franchise broker" would inadvertently capture:

- Funding sources and lead generation services if paid by the franchisor
- Referral sources to the franchisor
- Professional service providers offering ancillary services

Due Process Concerns

The broad definition of "franchise broker" lacks the precision required for regulatory certainty. Business professionals need clear guidance about when registration is required to avoid inadvertent violations.

Excessive Regulatory Burden

The proposed registration requirements would create an overwhelming administrative burden for small operators like myself. The compliance costs alone could force many of us out of business, ultimately reducing the resources available to help prospective franchisees navigate their options.

Practical Concerns

The registration requirements are impractical for an industry where professionals often work with multiple brands across multiple states. The compliance costs and administrative burden would be prohibitive for many legitimate operators.

Existing Oversight

Current state and federal regulations already address the legitimate concerns raised about broker conduct. Additional layers of regulation create compliance burdens without corresponding consumer protection benefits.

Alternative Solutions
Rather than broad registration requirements, the industry would be better served by enforcement of existing laws against fraud and misrepresentation, along with education initiatives for prospective franchisees.

When all is said and done, FranChoice and its consultants are not involved in the franchise sales process – we are a lead source for franchise companies. We send them leads for prospective franchisees, which are then taken through a sales process by the franchise sales staff (whether internal employees or independent contractors like FSOs). As a lead source for franchise companies, just like internet advertising sites such as the IFA or Entrepreneur.com, or social media sites like Facebook and LinkedIn, or many other examples, we should not be covered in this definition of franchise sellers because that's not what we do. The confusing language in this regulation, designed to label as a broker anyone who is "indirectly" involved in the franchise sales process needs to be changed or the unintended consequences will be significant.

Separately, for people who are actually involved in the franchise sales process, this new regulation is unnecessary, burdensome, costly and duplicates rules and regulations already in place.

Finally, advocating for individual states to create their own rules and fees related to this disclosure process unnecessarily creates confusion and hardship from a compliance standpoint. If we need more regulation of franchise sales brokers, it should be done by the FTC on a national basis. Leaving it to the states will create far more problems than anyone realizes. It will be chaos and an absolute mess. And it will slow down the growth of small business owners across the country - NO ONE WANTS THAT!

Best Regards,

John

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