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To: [NASAA Comments](#); [Theresa Leets](#); bill.beatty@dfi.wa.gov; [Erin Houston](#)
Cc: [Jeff Elgin](#)
Subject: [EXTERNAL]NASAA Model Franchise Broker Act Comments
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Attachments: [image001.png](#)
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Hello,

This email is to provide comments and feedback on the proposed NASAA Model Franchise Broker Act (the “Act”). I am a self-employed franchise consultant and part of a national network of consultants called FranChoice. I have been a consultant for over eight years and have referred many prospective candidates for franchise ownership to franchise companies for consideration, similar to how an executive recruiter might refer a candidate to any company hiring a highly skilled executive. I have become aware of recent movements to create regulations and restrictions on “franchise brokers” as defined in the Act. Here are my comments to the proposed provisions and language of the Act:

1. Overly Broad Definitions

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. My role as a consultant and explained to every prospective candidate is that I am not a sales agent for any brand, but rather a guide to assist their process in discovering brands—not selling them a franchise, which is the job of the franchise brand themselves. Would you hold an executive recruiter responsible to uphold employer laws for and companies they refer candidates to? That is an apt analogy in this case.

2. Definition Problems

The current definition of “franchise broker” would inadvertently capture:

- Funding sources and lead generation services if paid by the franchisor. Franchisors use a myriad of lead generation strategies, including trade shows, advertising, marketing companies and franchise consultants.
- Referral sources to the franchisor
- Professional service providers offering ancillary services

3. 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. A patchwork quilt of regulations across what is essentially a national framework will only create opportunity for errors, high costs and a worse outcome for franchise candidates.

4. Excessive Regulatory Burden

The proposed registration requirements would create an overwhelming administrative burden for small operators like myself. I am an independent business professional without any employees or large corporate team. The compliance costs alone could force many of us out of business, or at least out of doing business in high regulation states, ultimately reducing the resources available to help prospective franchisees navigate their options. This could leave candidates for franchise ownership completely on their own without any guidance, support or resources on how to properly investigate and compare franchises, an important role played by franchise consultants.

5. 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. Instead of encouraging a private, industry solution to concerns, well-meaning but poorly understood and implemented complex regulations will only create a chilling effect for good players in the industry. If there are bad players you're worried about that are not following ethical best practices, it is unlikely adding regulations for these players will alter their behavior.

6. 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.

7. 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. Working with industry leaders to create programs, education and tools and resources would help the strong players create a value proposition for candidates who need better services in the process of exploring franchise opportunities.

Thank you for your careful consideration and reflection on these comments and how your proposed regulations may create a litany of negative unintended consequences and be counterproductive for the very people you seek to protect.

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