

From: [Tractenberg, Craig R.](#)
To: [NASAA Comments](#); [Theresa Leets](#); bill.beatty@dfi.wa.gov; [Erin Houston](#)
Subject: [EXTERNAL]RE: NASAA Model Franchise Broker Registration Act
Date: Friday, August 15, 2025 5:00:13 PM
Attachments: [image001.png](#)

The disclosure by franchise broker representatives does not necessarily describe with sufficient specificity “how” the representative was compensated in the past.

For example, a franchise broker representative is electronically arranged to communicate with a prospect. The representative sends the disclosure regarding compensation. Does the disclosure say the representative was compensated by the franchisor?

In some cases, the representative says they are a “consultant.” They give the disclosure. They advise they are compensated in part by the franchisor and ask for their consulting activities to be compensated by the franchisee candidate. Let’s say the franchisee pays \$5,000 and the franchise broker pays the consultant \$25,000, with the franchise broker receiving 100 % of the initial franchise fee of \$50,000 as a commission. I think the candidate should know something about that, but nothing in the disclosure would tell a franchisee candidate that.

A franchisee candidate has the FDD reviewed by counsel and sees the initial fee is \$50,000.00. The FDD also says there are initial performances by the franchisor under the franchise offering, such as site review and training. A candidate might ask, or reasonably assume that the initial fee is in consideration of those initial franchisor performances. If asked, a franchise “consultant” would be unlikely to say, and might not even know, that the entire initial fee is for compensation of the sales effort and is not available for working capital of the franchisor. Nothing in the financial statements would give counsel or the accountant a clue about this but it might be important for the candidate to know.

Would a larger commission alert a candidate that they were getting a hard sell? Is the disclosure sufficiently transparent to alert the franchisee candidate that the consultant might not have their best interest at heart.

I would like the disclosure to be more specific so that it is clear that the consultant is a sales person for the broker and therefore the franchisor, even if the consultant requests to be paid in whole or part by the franchisee.
