

NASAA MODEL FRANCHISE BROKER REGISTRATION ACT

(Adopted May 4, 2026)

Prefatory Notes: The NASAA Model Franchise Broker Registration Act seeks to add reasonable investor protections to the franchise sales process by requiring registration of certain entities and individuals involved in the sales process and by ensuring franchisors only use the services of registered entities and individuals. Entities and individuals that receive compensation for engaging in one or more of the following activities may need to register under this Act: (1) locating prospective franchisees, (2) acting as an intermediary between prospective franchisees and franchisors, (3) acting as an intermediary between franchisors and entities and individuals that offer or sell franchises, (4) evaluating the qualifications of prospective franchisees, (5) assessing the suitability of prospective franchisees for particular franchise opportunities, (6) managing franchise prospects for franchisors, or (7) providing prospective franchisees information about franchise offerings. Entities and individuals that engage in the activities referenced above may call themselves franchise brokers, franchise sales organizations, franchise broker networks, advisors, business coaches, consultants, lead generators, referral sources, or call themselves by another name. Jurisdictions considering this model legislation that have a franchise registration and disclosure law may be able to incorporate this model into their existing franchise law with minimal modifications. For example, franchise registration and disclosure laws may already contain certain definitions included in Section 2 and may have provisions for revoking registrations and establishing filing fees that can be modified, eliminating the need for Sections 5 and 8. Jurisdictions that do not have a franchise registration and disclosure law can use the NASAA Model Franchise Act (available at <https://www.nasaa.org/wp-content/uploads/2023/05/MODEL-FRANCHISE-INVESTMENT-ACT.pdf>) for definitions and provisions necessary for implementation of this Act. For example, the NASAA Model Franchise Act provides a definition for “franchise” and provisions regarding fraudulent, deceptive, and prohibited practices.

Section 1: Short Title

This act may be cited as the “Franchise Broker Registration Act.”

Section 2: Definitions

In this act, unless the context otherwise requires:

- (1) “Director” means the [official administering the act].

- (2) “Franchise broker” means 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:
- (a) a franchise broker representative;
 - (b) a franchisor, a subfranchisor, or a parent of a franchisor or subfranchisor of the franchise being offered or sold;
 - (c) the officers, directors, or employees of a franchisor or a subfranchisor of the franchise being offered or sold; or
 - (d) a current franchisee of the franchise being offered or sold so long as the franchisee does not receive fees, commissions, or other forms of consideration in the aggregate valued at more than \$5,000 in a calendar year in connection with the offer or sale of franchises.
- (3) “Franchise broker representative” means any natural person other than a franchise broker who is employed by or represents a franchise broker in effecting or attempting to effect the offer or sale of a franchise. An officer or director of a franchise broker, or an individual having a similar status or performing similar functions is a franchise broker representative only if the individual otherwise comes within the term. An individual whose acts are solely clerical or administrative does not meet the definition of a franchise broker representative.
- (4) “Offer” or “offer to sell” includes every attempt or offer to dispose of or solicitation of an offer to buy a franchise or an interest in a franchise.
- (5) “Other form of consideration” as used in Section 2(2) includes, but is not limited to:
- (a) the granting of equity in a franchisor, a subfranchisor, or an affiliate of a franchisor or subfranchisor;
 - (b) a buy-out or similar provision in which a franchise broker or a franchise broker representative will receive a fee if the contract or arrangement between a franchise broker or a franchise broker representative and a franchisor, a subfranchisor, or an affiliate of a franchisor or subfranchisor is terminated; or
 - (c) a portion of the royalties or other ongoing payments of franchisees in a system.

- (6) “Person” means a natural person, corporation, partnership, limited liability company, association, or any other legal or commercial entity.
- (7) “Sale” or “sell” includes every contract of sale, contract to sell, or disposition of a franchise.

Section 3: Prohibited Practices

- (1) It is unlawful for any franchise broker to offer or sell a franchise in this state unless the franchise broker is registered under this act.
- (2) It is unlawful for any franchise broker representative to offer or sell a franchise in this state unless the franchise broker representative is registered under this act.
- (3) It is unlawful for any franchisor or subfranchisor to use the services of a franchise broker to offer or sell a franchise in this state unless the franchise broker is registered under this act.
- (4) It is unlawful for any franchise broker to employ or associate with a franchise broker representative who transacts business in this state on behalf of the franchise broker unless the franchise broker representative is registered under this act.

Section 4: Registration

- (1) A franchise broker and a franchise broker representative must apply for registration by filing with the director (a) a completed application in the form the director prescribes by rule or otherwise, (b) a consent to service of process, (c) an irrevocable consent to jurisdiction and venue in the state, and (d) the fee prescribed by Section 8.
- (2) The registration of a franchise broker shall expire on December 31 of the year in which the registration became effective unless the director by rule or order specifies a different period. The registration of a franchise broker representative shall expire on December 31 of the year in which the registration became effective unless the director by rule or order specifies a different period; however, the registration of a franchise broker representative is effective only while the franchise broker representative is employed or associated with a franchise broker registered under this act.
- (3) Registration of a franchise broker or a franchise broker representative may be renewed for additional periods of one year, unless the director by rule or order specifies a different period, by filing with the director no later than thirty calendar

days prior to the expiration thereof a renewal application and payment of the prescribed fee.

- (4) If any change in the information contained in an application or disclosure statement should occur, a franchise broker or a franchise broker representative, as the case may be, must promptly amend the registration on file with the director.
- (5) The director may require by rule that a franchise broker or franchise broker representative pay an examination fee and pass an examination or meet basic education requirements prior to applying for registration. A franchise broker that is not a natural person is exempt from any examination requirement.
- (6) The director may require by rule or otherwise that a franchise broker or franchise broker representative complete continuing education requirements. A franchise broker that is not a natural person is exempt from any continuing education requirements.

Section 5: Denial, Suspension, or Revocation of Registration

- (1) The director may by order deny, suspend, or revoke the registration of any franchise broker or franchise broker representative if the director finds that the order is in the public interest and that the applicant or registrant, or any officer or director, or a person occupying a similar status or performing similar functions of the applicant or registrant:
 - (a) has filed an application for registration as a franchise broker or franchise broker representative which, as of its effective date, or as of any date after filing in the case of an order denying effectiveness, is incomplete in any material respect or contains any statement which is, in the light of the circumstances under which it is made, false or misleading with respect to any material fact;
 - (b) has willfully violated or willfully failed to comply with any provision of this act or any rule or order under this act;
 - (c) has been convicted, within the past five years, of any misdemeanor or felony involving a franchise, or any aspect of the securities, commodities, business investments, business opportunities, insurance, banking, or finance business, or of any felony involving moral turpitude;
 - (d) is permanently or temporarily enjoined or restrained by any court of competent jurisdiction in an action brought by the director or a state or federal government agency from engaging in or continuing any conduct or

practice involving any aspect of the franchise, securities, commodities, business investments, business opportunities, insurance, banking, or finance business;

- (e) is the subject of an order of the director denying, suspending, or revoking registration as a franchise broker or a franchise broker representative;
- (f) has engaged in dishonest or unethical practices in the franchise, securities, commodities, investment, business opportunity, banking, finance, insurance, or real estate business, or has engaged in other conduct such as forgery, embezzlement, nondisclosure, incomplete disclosure or misstatement of material facts, or manipulative or deceptive practices;
- (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; or
- (h) refuses to allow or otherwise impedes the director from conducting an audit, examination, inspection, or investigation, or refuses access to any business location to conduct an audit, examination, inspection, or investigation.

The director may by order summarily postpone or suspend a registration pending final determination of any proceeding under this section.

Section 6: Disclosure Obligation

- (1) It is unlawful for a franchise broker or franchise broker representative that is registered or required to be registered under this act to engage in any in-person, virtual, telephonic, or electronic communication with a prospective franchisee about a specific franchise opportunity unless the franchise broker or franchise broker representative first provides the prospective franchisee with a disclosure statement. The franchise broker or franchise broker representative may provide the disclosure statement to the prospective franchisee through electronic means, subject to any requirements or conditions imposed by the director by rule or otherwise. The disclosure obligation of a franchise broker is fulfilled by its franchise broker representative by providing the prospective franchisee with the disclosure statement of the franchise broker representative.
- (2) The disclosure statement must be prepared in the form the director prescribes by rule or otherwise.
- (3) The disclosure statement of a franchise broker must contain the following information:

- (a) material litigation involving the franchise broker, or its officers, directors or individuals having a similar status or performing similar functions,
 - (b) how the franchise broker was compensated in the previous calendar year, including, but not limited to, how the amount of any consideration was calculated; and
 - (c) any other information prescribed by the director by rule or otherwise.
- (4) The disclosure statement of a franchise broker representative must contain the following information:
- (a) material litigation involving the franchise broker representative;
 - (b) material litigation involving the franchise broker and the franchise broker's officers, directors or individuals having a similar status or performing similar functions;
 - (c) how the franchise broker representative and the franchise broker were compensated, in the previous calendar year, including, but not limited to, how the amount of any consideration was calculated; and
 - (d) any other information prescribed by the director by rule or otherwise.
- (5) The director may prescribe by rule or otherwise that the disclosure statement be filed with the director prior to use.

Section 7: Recordkeeping Obligation

- (1) Every franchise broker and franchise broker representative that is registered or required to be registered must keep and maintain a complete set of books, records, and accounts related to any offers and sales of franchises for a period of five calendar years as prescribed by the director by rule or otherwise.
- (2) All the records of a franchise broker and a franchise broker representative are subject at any time or from time to time to such reasonable periodic, special, or other examinations by representatives of the director, within or without this state, as the director deems necessary or appropriate in the public interest or for the protection of franchisees.
- (3) If a franchise broker or a franchise broker representative ceases to transact business, the franchise broker or the franchise broker representative must retain books,

records, and accounts related to any offers and sales of franchises for a period of 5 years following the cessation of business.

Section 8: Fees

- (1) The director must charge and collect the fees fixed by this section. The director must not refund fees.
- (2) The fee for filing an application for initial or renewal registration of a franchise broker under Sections 4(1) and 4(3) is [\$].
- (3) The fee for filing an application for initial or renewal registration of a franchise broker representative under Section 4(1) and 4(3) is [\$]. However, franchise brokers that only have one franchise broker representative only pay the fee for filing an application for initial or renewal registration of a franchise broker.
- (4) The fee for filing an amendment to the application under Section 4(4) is [\$].

Section 9: Rules, Forms, Orders, Interpretive Opinions and No-Action Letters

- (1) The director may from time to time make, amend, and rescind such rules, forms, and orders as are necessary to carry out the provisions of this act including rules and forms governing applications and reports and defining any terms whether or not used in this act insofar as the definitions are consistent with this act.
- (2) The director in his or her discretion may honor requests from interested persons for interpretive opinions and no-action letters. The director may, by rule or order, establish application procedures for requests from interested persons for interpretive opinions and no-action letters, and may establish reasonable fees for such requests.

Section 10: Uniformity and Cooperation with Other States

- (1) The director shall, in his or her discretion, cooperate, coordinate, consult, and, subject to state public records act and confidentiality requirements, share records and information with franchise regulators of other states to effectuate greater uniformity in the regulation of franchise brokers, franchise broker representatives, and the franchise sales process.
- (2) In cooperating, coordinating, consulting, and sharing records and information under this section and in acting by rule, order, or waiver under this act, the director shall, in his or her discretion, take into consideration in carrying out the public interest the following general policies:

- (a) maximizing effectiveness of regulation for the protection of prospective franchisees and franchisees;
 - (b) maximizing uniformity in state regulatory standards; and
 - (c) minimizing burdens, without adversely affecting essentials of investor protection.
- (3) The cooperation, coordination, consultation, and sharing of records and information authorized by this section includes, but is not limited to:
- (a) establishing or employing one or more designees as a central depository for registrations and filings under this act and for records required or allowed to be maintained under this act;
 - (b) developing and maintaining uniform application forms and uniform disclosure statement templates;
 - (c) developing, maintaining, and proctoring uniform examinations and developing uniform education requirements;
 - (d) sharing and exchanging records subject to state public records act and confidentiality requirements,
 - (e) formulating rules, statements of policy, guidelines, forms, and interpretive opinions and releases; and
 - (f) formulating common systems and procedures.