

From: [Andrew Aronson](#)
To: [NASAA Comments](#); [Theresa Leets](#); bill.beatty@dfi.wa.gov; [Erin Houston](#)
Subject: [EXTERNAL]Comments on the NASAA Franchise Registration Legislation
Date: Friday, June 14, 2024 2:09:24 AM

Dear NASAA Team,

My name is Andrew Aronson, and I have extensive experience as a franchisee, franchise development professional, and franchise broker for the last 39 years. I was a franchisee from 1983 through 1996 when I sold my franchise. I have been a consulting Franchise Broker since 2007. I never had a lawsuit against me or my company during that time. I am writing to provide feedback on the NASAA Model Franchise Broker Registration Act. Thank you for allowing me to share my insights based on years of involvement in the franchise industry, as many unintended consequences may negatively impact the individuals, franchisees, franchisors, and providers of business opportunities involved and surrounding this industry.

While I appreciate the intention to ensure ethical practices in franchise brokering, I must express my concern about the potential negative impact of the current draft of the Model Act. These complexities could inadvertently hinder the franchise sales process and have far-reaching consequences for the Nation's economy. Addressing these issues is crucial to ensuring the smooth operation of the franchise industry.

The NASAA Model Franchise Broker Registration Act refers to the "Prospective franchisee" as any person who contacts or is contacted by a franchise broker or franchise broker representative to discuss franchising generally or any specific franchise. The current definition of Prospective Franchisee is unrealistically broad; most "brokers" that make a living as a broker will typically contact between 100 and 200 + 'leads' a month. Although the closing rate of an excellent broker is only 1 % and 2 %, we would be mandated to keep records and notes on 100% of the people we contact for ten years. Not only would this information, if maintained in written form, require a vast storage space, but it would also be difficult to arrange in a home office. Additionally, the same information must, by definition, be duplicated and stored by every franchisor contacted, multiplied by every broker contacting that franchisor. Keeping records of the information electronically would add the burden of maintaining equipment long after its practical life and changing technology for every broker and franchisor. Technology is rapidly evolving, and data is doubling every 18 months. At the very least, the costs associated with additional recordings and information storage will be forwarded to the vulnerable people the act is trying to protect.

Corporations, LLCs, and all entities will protect their margins to ensure their continuance. The cost of a franchise will increase, decreasing the number of people who can purchase a franchise. The regulation will incur what amounts to a false tax on those trying to create a viable business, creating another hurdle to clear

Brokers, by nature, are individuals operating out of home offices, typically as LLCs. We are drawn to and join organizations like the Franchise Brokers Association because they focus on broker education, raising the industry bar from unethical plaid jacket used car salesman types to professional brokers who feel they have a fiduciary duty to protect and provide the best services to their clients. Every year, we participate in continuing education to maintain our certifications as Certified Franchise Brokers and certifications as Franchise Sales Compliant. These courses are taught by experts in their fields, such as attorneys and IT professionals. In my company, we use several extensive psychographic assessments with our clients that show precisely their strengths, areas in need of development, suitability for a franchise, and specific verticals that others with similar strengths and weaknesses have achieved success in the same position. Over 30 million assessments have been given in 43 countries; we have quite an extensive comparison database.

Professionals like those in my company innovate with their funds to provide the best matches between potential franchisees and franchisors based on many markers, including the franchisor's corporate culture.

The definition of Prospective Franchisee would prohibit speaking of our occupation to individuals and friends. Something as innocuous as a social dinner would be prohibitive under this regulation as anyone could be a potential franchisee. Everyone within earshot would be required to register as a broker, especially if they suggest they contact someone they know who represents themselves as an active broker. I don't see how any broker would flourish under these regulations. Record keeping is expensive and time-consuming, eliminating time from adequately servicing our clients.

For decades, I held a Real Estate License in Colorado. I kept records of everything I sold for five years after the sale. The information was voluminous and required off-site storage. I favor education but not excessive record-keeping on a spider web level.

I would also like to address section 3.1 in your proposed bill; "It is unlawful for any franchise broker to directly or indirectly engage in the offer or sale of a franchise in this state unless the franchise broker is registered under this act."

Franchise brokers interview, qualify according to the franchisor's requirements, determine through the franchisor if territory is available, and introduce the Candidate to the concept, business model, corporate culture, the industry, and the franchisor's officers that the client has selected. We often show a candidate several flights of 5 concepts each. We spend many hours determining what to show and talking with franchisors regarding all aspects of their company to present an idea. Brokers that are well trained, as with the Franchise Broker Association, and use the proper psychographic assessments are agnostic about which franchise the Candidate chooses.

All decisions are the Candidates; as a broker, we do not have the authority to sell a franchise. That decision is strictly in the purview of the franchisor. Closing a sale is the strict responsibility of the franchisor. Requiring the broker to go through the time and expense of registering in each state is unnecessary and expensive. If registration is mandatory, a more practical solution could be to have one registration that represents all 50 states and Canada. One comprehensive registration would streamline the registration process, reduce administrative burdens, lower costs for brokers, and ensure consistent standards across jurisdictions without compromising on regulatory oversight.

Kind Regards,

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"Life is a participation sport; go out, get involved, create something fantastic, and define yourself by what you accomplish - not by what you want to accomplish."