

**From:** [Michael Judkins](#)  
**To:** [NASAA Comments](#)  
**Cc:** [Theresa Leets](#); [bill.beatty@dfi.wa.gov](mailto:bill.beatty@dfi.wa.gov); [Erin Houston](#); [Ryan Zink](#); [Tyler Altenhofen](#)  
**Subject:** [EXTERNAL]Franchise Sidekick Submission of Public Comments on the NASAA Model Franchise Broker Registration Act  
**Date:** Wednesday, June 12, 2024 6:03:18 PM  
**Attachments:** [Franchise Sidekick NASAA Franchise Broker Act Model Public Comments June 12 2024.pdf](#)

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Dear NASAA Members,

I hope this message finds you well. My name is Michael Judkins, and I am the Chief Operating Officer at Franchise Sidekick, a company that specializes in franchise brokering and advising. At Franchise Sidekick, we are committed to setting new standards in our industry by employing a team of full-time franchise advisors who undergo comprehensive and ongoing training focused on franchise sales and compliance. Our selective approach to partnering with franchise brands ensures that we effectively reduce risks for our clients and provide unparalleled service quality.

We are writing to provide our comments regarding the proposed NASAA Model Franchise Broker Registration Act. Given the potential impact of the proposed regulations on our business operations and the broader franchising industry, we find it crucial to share our perspectives and suggestions for refining the Act.

Our comments are attached to this email and detail our suggestions to enhance the Act's effectiveness and practicality for all parties involved in franchising. Here is a brief overview of the key items we propose:

1. **Renaming the Act** to "Third Party Franchise Sellers Registration Act" to reflect a broader inclusion of relevant stakeholders.
2. **Clarifying Disclosure Responsibilities** to ensure that all individuals engaged in franchise sales are responsible for their compliance, irrespective of their employment status.
3. **Simplifying the Registration Management Process** by establishing a centralized, industry-supported database accessible by all states.
4. **Standardizing Disclosure Timelines** to consolidate all required disclosures at the time of signing the franchise agreement.
5. **Simplifying Financial Compensation Disclosures** to require only an estimated compensation range at the time of the franchise agreement signing.
6. **Enhancing Data Privacy in Disclosures** by limiting the personal contact information required in disclosures.
7. **Ensuring Consistency in Education, Disclosure, and Registration Requirements** across states to reduce compliance complexity and enhance operational efficiency.

We believe these changes will make the NASAA Model Franchise Broker Registration Act more applicable, manageable, and beneficial for the industry. We look forward to your consideration of our comments and are open to further discussions to refine these suggestions.

Thank you for considering our perspective on this important matter. We appreciate the opportunity to contribute to the discussion and are eager to see advancements in the regulatory framework that support ethical and effective franchising practices.

Warm regards,

**MICHAEL JUDKINS, CFE**  
**CHIEF OPERATING OFFICER**

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**June 12, 2024**

**To: NASAA Members; Theresa Leets, Bill Beatty, Erin Houston**

**Subject: Public Comment Submission on NASAA Model Franchise Broker Registration Act**

Dear Members of the NASAA,

I write to you on behalf of Franchise Sidekick, an emerging leader in the franchise brokering and advising industry. Since our inception in 2021, we have been committed to redefining the standards of our sector. Franchise Sidekick was founded to address a significant gap in the market by enhancing the quality and integrity of franchise brokerage services. By employing our Franchise Advisors as full-time W2 employees, providing them with comprehensive and ongoing training focused on franchise sales and compliance, working with our clients throughout the franchise selection process and beyond, and selectively choosing the Brands in our inventory, we strive to reduce risks for our clients and offer unmatched quality in the service we provide. Franchise Sidekick has successfully placed over 300 franchisees and 1,000 franchise licenses in less than three years, all while reducing risk for our clients.

Franchise Sidekick is in support of additional regulations that are designed to ensure a fair, transparent, and quality experience for prospective franchisees when working with Third Party Franchise Sellers. We believe our proactive approach ensures that all potential franchisees receive the highest level of guidance and support, significantly enhancing their chances of success in the franchise industry, and this Model Act has the potential to push other Third Party Franchise Sellers to adopt our mentality when selling franchises. With that being said, our company structure also places us in a unique position regarding regulatory changes and requirements such as those proposed in the NASAA Broker Registration Act Model. With most franchise brokers operating on a 1099 independent contractor or franchise model, the suggested regulation has additional implications for our model that are not included in the text. The additional regulatory burdens these changes impose on our operations have the potential to affect our ability to maintain the high standards we set for client service and operational efficiency and also burden the Franchisors that we partner closely with, threatening our relationship with quality franchise brands if working with Third Party Franchise Sellers becomes too difficult.



Given the potential impact of the proposed Model on our business and on the broader franchise industry, we are compelled to offer our insights and suggestions for amendments that will enhance the practicality and effectiveness of the proposed regulations. Below, I outline key areas of concern along with our recommendations for improvement:

### 1. Renaming the Act to "Third Party Franchise Sellers Registration Act"

- **Rationale:** The current title and scope of the Model Act primarily address franchise brokers. Broadening the scope to include all third-party sellers will provide a more comprehensive regulatory framework that encompasses franchise sales organizations and other intermediaries.
- **Proposed Change:** We propose amending the title and all references from "franchise brokers" to "Third Party Franchise Sellers." Redefine "Third Party Franchise Sellers" to include franchise brokers, franchise sales organizations, and any other agents involved in selling franchises. This amendment should be reflected in all relevant sections to cover a broader scope of franchise selling activities and services.

### 2. Clarifying Disclosure Responsibilities

- **Rationale:** Our Advisors, as full-time employees, operate under a unified standard of conduct and process shaped by rigorous training and compliance frameworks. The current model does not specifically address the individual accountability of franchise brokers and representatives in terms of disclosure and education responsibilities. This can lead to discrepancies in the quality and accuracy of information provided to prospective franchisees, especially in complex employment structures.
- **Proposed Change:** We propose amending the disclosure obligations to specify that each individual involved in the sale or promotion of franchises, regardless of whether they are independent contractors or W2 employees of a parent company, is personally responsible for ensuring compliance with all disclosure and education requirements. Proposed language for the Model Act might include:
  - "Each individual engaged in the act of selling or promoting franchises, irrespective of their employment status as an independent contractor or an employee of a franchise broker or sales organization, shall be directly responsible for their own compliance with all disclosure and education requirements as set forth in this Act."
  - "This individual responsibility applies to all forms of compensation, material facts about the franchise opportunity, and any other disclosures mandated under this Act."

### 3. Consistency in Education, Disclosure, and Registration Requirements

- **Rationale:** The potential for variability in requirements for continuing education, disclosure practices, and registration processes across different states could create significant compliance challenges and administrative burdens. For a company like Franchise Sidekick,



with a nationwide team of Advisors, inconsistent state requirements can lead to inefficiencies, increased operational costs, and the risk of non-compliance. Complex registration processes also threaten the relationship between Franchisors and Third Party Franchise Sellers. If the registration process is too cumbersome, Franchisors may choose not to work with Third Party Franchise Sellers at all. Standardizing these requirements would ensure a more manageable system and allow Third Party Franchise Sellers to maintain high standards of service without unnecessary complications.

- **Proposed Change:** We recommend the development of uniform guidelines for continuing education, disclosure, and registration that all states should adopt. These guidelines should specify:
  - **Continuing Education:** Establish a set number of hours of continuing education required annually for all third-party franchise sellers, with content that includes updates on regulatory changes, ethical selling practices, and other relevant topics to enhance their knowledge and compliance. We also suggest choosing a limited number of third parties to deliver consistent Continuing Education across all states.
  - **Disclosure Practices:** Define a standardized format and set of information that must be included in disclosures to prospective franchisees, ensuring that all franchisees receive the same level of information regardless of the state in which they reside. This is done with the Franchise Disclosure Document and there are limited variations across states, which makes the preparation, initial filing, and refiling process easy to manage.
  - **Registration Process:** Create a streamlined, uniform registration process that can be managed through a central database. This system should allow for easy submission of applications, renewal of registrations, and updates to any registration information without the need to navigate varying state systems (see below).

#### 4. Simplifying the Registration Management Process

- **Rationale:** The proposed requirement for franchisors to manage the registrations of potentially hundreds of third-party franchise sellers individually across different states would be extremely cumbersome and burdensome. Managing such a multitude of individual registrations, along with their respective filing requirements and the necessary consolidation of information on a state-by-state basis, would demand significant administrative resources and could lead to inconsistencies and errors.
- **Proposed Change:** We recommend the establishment of a centralized, industry-supported database for tracking all third-party seller registrations and Continuing Education requirements. This database should be accessible by all states but managed by an independent, industry-related entity to ensure neutrality and comprehensive coverage. Additionally, articulate the future challenges and benefits of this centralized approach:
  - "Establish a centralized registration database to be utilized by all states for the purpose of tracking and managing third-party franchise seller registrations and Continuing Education compliance. This database shall be maintained by an independent entity specializing in franchise industry data management."





- "The implementation of this centralized database would significantly reduce the future administrative burden on franchisors, who would otherwise face the logistical challenge of managing numerous separate registrations for multiple sellers. By simplifying access and reducing repetitive administrative tasks, this system will enable franchisors to focus more on strategic business operations and less on cumbersome compliance logistics."

## 5. Standardizing Disclosure Timelines

- **Rationale:** The currently proposed two-stage disclosure timeline can lead to confusion and may disrupt the franchise sales process. Delaying disclosure until the end of the process ensures that financial disclosures are more accurate and relevant to the final agreement terms. Additionally, later disclosures can enhance the prospective franchisee's understanding and decision-making, as they will have gained sufficient knowledge about the franchise operation and the implications of their investment by that stage. Early-stage disclosures can be overwhelming and potentially off-putting for prospective franchisees, potentially reducing their willingness to proceed with purchasing a franchise.
- **Proposed Change:** We recommend consolidating all disclosure requirements to a single disclosure at the point of signing the franchise agreement. This approach not only simplifies compliance but also strategically aligns the disclosure process with the prospective franchisee's readiness to process and utilize the information effectively. There is precedence around this process in the real estate industry, both in timing and method of disclosure. We suggest adopting a similar method of disclosure. Proposed language for the Act might include:
  - "All required disclosures by third-party franchise sellers, including financial compensation and other material information, must be consolidated and provided at the time of signing the franchise agreement. This timing ensures disclosures are accurate, relevant, and less disruptive to the prospective franchisee's experience."
  - "This single disclosure timeline supports a more informed decision-making process by the franchisee, who by the end of the process will be better equipped to understand and evaluate the information provided. Early disclosures, while intended to inform, may instead confuse and deter prospective franchisees due to their premature timing and the complex nature of the information."
  - Additionally, we suggest Franchisors should be responsible for providing the Third Party Seller Disclosure if they are utilizing a Third Party Seller for a franchise sale. The Franchisor will have the most visibility into when the prospective franchisee should be disclosed and when the franchise agreement is signed.

## 6. Simplifying Financial Compensation Disclosures

- **Rationale:** The requirement for detailed and specific financial compensation disclosures prior to the finalization of the franchise agreement can be impractical and overly burdensome, especially when the exact compensation amounts are not yet determinable.







Providing a range of estimated compensation allows prospective franchisees to have an understanding of potential earnings without the need for adjustments or additional disclosures post-signing, simplifying the process for all parties involved.

- **Proposed Change:** We recommend amending the model to require only an initial estimate of compensation, expressed as a percentage range, to be disclosed at the time of franchise agreement signing. This simplifies the process and ensures that all necessary information is provided in a single, clear instance. Proposed language for the Act might include:
  - "Third-party franchise sellers are required to provide prospective franchisees with an estimated compensation range, expressed as percentages, prior to or at the signing of the franchise agreement. This disclosure should reflect the minimum and maximum commission or fees typically earned, based on historical data or industry averages."
  - "This approach eliminates the need for further financial compensation disclosures after the signing of the franchise agreement, ensuring that prospective franchisees receive all necessary information in a timely and non-disruptive manner."

## 7. Enhancing Data Privacy in Disclosures

- **Rationale:** The current requirements to disclose extensive contact information of third-party sellers and their clients in franchise disclosures can compromise privacy and expose sensitive data to potential misuse. This excessive level of detail may lead to unintended consequences, such as data mining and unauthorized selling of proprietary information.
- **Proposed Change:** We recommend amending the Model Act to limit the amount of contact information required in disclosures concerning Third Party Franchise Sellers and their previous clients. This would involve providing only the names of the entities involved, without including contact details. Proposed language for the Model Act might include:
  - "Disclosure documents should only include the names of Third Party Franchise Sellers and previous clients involved in franchise transactions. Contact information such as phone numbers, email addresses, and physical addresses shall be omitted from public disclosure documents to protect the privacy and security of all parties involved."
  - "This limitation is intended to prevent the potential exploitation of these details by third parties, ensuring that client lists and proprietary information are safeguarded against unauthorized use or commercial distribution."

Implementing these uniform guidelines would not only alleviate the administrative burden on Franchisors and Third Party Franchise Sellers but also provide clarity and predictability, enhancing the overall regulatory environment and ensuring that all parties are equally informed and protected.

We believe these changes will not only alleviate potential regulatory burdens on our operations but also enhance the overall regulatory framework for the franchise industry, promoting transparency, efficiency, and fairness.





We look forward to the NASAA's consideration of our comments and are open to further dialogue to refine these proposals.

Sincerely,

**Michael Judkins**  
**Chief Operating Officer**  
**Franchise Sidekick**

**On behalf of Franchise Sidekick**

**Ryan Zink**  
**Founder & CEO**  
**Franchise Sidekick**

**Tyler Altenhofen**  
**Co-Founder and Chief Growth Officer**  
**Franchise Sidekick**

