

From: [Craig Campbell](#)
To: [NASAA Comments](#)
Cc: [Theresa Leets](#); bill.beatty@dfi.wa.gov; [Erin Houston](#)
Subject: [EXTERNAL]NASAA Franchise Broker Regulation Comment
Date: Wednesday, June 12, 2024 7:04:28 PM

To Whom It May Concern,

What problem is this regulation trying to solve? I have been doing franchise consulting for 12 years as both a Director of Franchise Development for 3 different franchisors and as an independent franchise consultant, I have never heard any client of mine or my colleagues ever voice any concern that this regulation addresses. It seems rooted in the false analogous idea that franchisors and brokers serve similar roles as a real estate agent / broker and should be regulated similarly. Our industry has very little similarities to real estate. A far more effective analogy is to an Executive Recruiter that prepares and refers clients to employers that pay a fee for the referral.

As a franchise consultant we serve our clients, not franchisors. Sure, it is conceivable that there could be a bad apple in the bunch, but the majority of the successful consultants are focused on the needs, goals, values, and motivations of our clients. There is a highly effective symbiotic relationship between clients, brokers, franchisors, and franchisees. Good honest consultants are consultants and not brokers. We consult with our clients to find the best opportunities that meet our clients values, goals, and motivations. None of my colleagues pay attention to the referral fee we are paid by a franchisor when we make referrals. We are far more concerned that our clients and franchisors are a good match than we are of which franchisor pays a higher fee. The suggestion of disclosing the fee we are paid by a franchisor is patently offensive. Interestingly, I personally do share the fee amount I get with my clients if they ask, but being required to is offensive. Besides how would this work? When I present different franchise concepts to my client, would I have to have a slide in the respective brand presentation that states my fee? I present 8-10 brands to each of my clients.

Finally, regulating the amount of fee that I can earn is even more patently offensive. Yes, I may get anywhere between \$5,000 to \$45,000 per franchise unit, but what you regulators don't understand is that I spend about \$5,000 - \$10,000 per month in lead generation expenses. The "sales cycle" of one of my clients is often 6-9 months. I typically work 75-100 leads that cost \$50-\$300 each for every 1 successful referral. I encourage you to do the math. After all of my expenses, I might earn a total of 10% my referral fee as actual personal income.

Again, I ask you, what problem are you trying to fix with this regulation? It is a regulation for the sake of having a regulation or a regulation looking for a problem to solve. These are never a good idea. They rarely take into consideration the unintended consequences that will result because of this. When you have a regulation that is looking for a problem to solve, it typically

has a far greater cost / effect in terms of unintended consequences than the overall impact of the "problem" that is trying to be controlled. I think the real reason why California and NASAA wants to do this regulation has nothing to do with franchise consulting. They actually want to have a new tax revenue stream. I can't think of anything that Washington or NY state do for me or my clients other than cost me an annual tax for my license. NY State doesn't even give me any license. They charge me \$200 and then email me a simple email that acknowledges that I am licensed. Not certificate is provided that I can show my clients. It plain and simply is a money grab. California may be jealous of this revenue stream and wants in on it, but are having a hard time justifying it without some sort of pointless burdensome regulation to give the appearance of justification.

Thank You,



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