



To :

NASAA

June 13, 2024

Greetings!

I am writing to commend you for your work toward bringing greater integrity to the process of franchise brokerage. As a former franchisee, former franchise development manager with a franchisor, and current president of Quantum Franchise Group, I resonate deeply with providing the highest levels of professionalism and integrity to my clients, and the franchisors we work with. I affirm that there is work to do here. Thank you for your efforts.

I do want to speak to the regulatory proposal now being considered and express three primary concerns.

- As it is currently drafted, the proposal provides too much of an extension of the definition of franchise brokerage to include sources such as lead generation partners, and even referrals from current franchise owners. There are too many entities being considered under the franchise broker umbrella, with many of those entities having no direct influence whatsoever on the due diligence process and ultimate franchise award/acceptance outcome. Any regulatory oversight should be limited to brokers and franchisors.
- As it is currently drafted, the proposal seeks to require a disclosure of compensation before beginning the process with a candidate. This is misaligned with the reality of franchise brokerage and how we are compensated, and opens the door to brokers unintentionally making inaccurate claims in the disclosure. Brokers cannot be assured of the amount of the compensation, in most cases, until the franchise is awarded, accepted, with the franchise agreement signed and franchise fee paid. The reason for this uncertainty is because of variables such as



territory size that often affects the final franchisee fee and unit count purchased by the franchisee, both of which are not determined with finality until the franchise agreement is signed.

I believe a disclosure stating simply that we have no past or pending litigation against us, and a simple statement affirming that we will be compensated by the franchisor, without mentioning an amount, would be beneficial in achieving your goals and would be more tenable for brokers to execute properly and accurately.

- Finally, as it is currently drafted, the proposal requires the submission of updates about inventory represented and submitted by franchisors, brokers, FSO's and broker associations. Many of us represent hundreds of brands, with that inventory changing on an almost daily basis. The burden of reporting those changes, in real time as they occur, is untenable and places an enormous administrative burden upon everyone involved, distracting our attention away from serving prospective franchisees with excellence and integrity.

Thank you again for your work toward bringing a higher level of professionalism and integrity to our industry and we look forward to working together toward this end.

Respectfully,

William Huffhine  
President, Quantum Franchise Group