

From: [Lance Hood](#)
To: [NASAA Comments](#); [Theresa Leets](#); bill.beatty@dfi.wa.gov; [Erin Houston](#)
Subject: [EXTERNAL]Re: Public Comments on Proposed NASAA Model Franchise Broker Registration Act (the "Act")
Date: Thursday, June 13, 2024 5:05:53 PM

June 13, 2024

Via Electronic Mail

To:
Theresa Leets, Chair of the Project Group
Bill Beatty, Co-chair of the Section
Erin Houston, Co-chair of the Section

Re: Public Comments on Proposed NASAA Model Franchise Broker Registration Act (the "Act")

To NASAA,

I would like to express my appreciation for the proposed NASAA Model Franchise Broker Registration Act and the efforts to increase transparency of compensation. As a franchise broker with seven years of experience in the industry, I understand the sentiment behind the proposed Act.

However, I need to point out that the wording is too vague and complicated, making it hard to understand and track those who are brokers. It is challenging for brokers to submit updated information about what states require what, or even understand what a person who indirectly engages in a sale is, for instance. This regulation would demand too many specifics that would prove difficult to track despite being legislative requirements.

In effect, it could hurt consumers and the industry as a whole rather than provide better transparency. It could squash smaller companies, and brokers, positioning big companies to fill the gap and take over the franchise industry. Brokers have, on average, researched and compared various brands to know what a good brand is or which would suit each individual best. With this regulation, it is likely that most brokers would not be able to stay compliant, leaving consumers with few options and far less guidance.

Example: what exactly is a person who indirectly engages in a sale? How are we supposed to track that, without clearly defined, concrete specifics? If I pay money to find clients on LinkedIn, Facebook or YouTube? Would those companies and all of their employees have to register as franchise brokers for selling me leads? What about the chamber of commerce, local business networking groups, webinar hosts, podcast hosts, marketing companies, or radio stations that I pay for their services?

My family, neighbors, friends and past clients refer people to me. Am I giving them other forms of compensation and do these people need to register as franchise brokers? Other forms of consideration, what specifically does that mean?

While I applaud the efforts to improve franchising, the most significant problem that the industry faces everyday is in the clear transparency of Item 19. Instead, this committee could create true transparency by requiring all franchise brands to have an Item 19, which includes a universally defined EBITDA for their average franchisees earnings. It should be crucial for all brands to publish the average EBITDA and that of each location, as this provides consumers with the transparency they need.

If you asked a franchise buyer to pick between knowing how much each brand's franchisees are actually earning OR how much their broker is being compensated, which would they pick? We all know the answer is franchisee earnings. So, let's work together to do something about the biggest problem that causes people to buy bad brands, lack of transparency in franchisee earnings.

As it is written, this new legislation primarily serves big franchise companies more than the consumer who is buying a franchise. Let us root for regulations that truly benefit a franchise buyer's perspective, and working this through with NASAA, we can create a balanced and effective regulatory framework that helps each stakeholder.

I respectfully request that NASAA extend the comment period and engage more thoroughly with all relevant stakeholders to develop a balanced and effective regulatory framework. This approach would ensure that the final document works for all parties and encourages people to consider franchise opportunities.

Thank you for your attention to this matter. I look forward to working collaboratively with NASAA to achieve our shared goals of responsible franchising.

Best Regards,
R Lance Hood
Managing Member
ARC Franchising LLC

**I hope the rest of your life is the best of your life.*



Lance Hood,
ARC Franchising