

From: [Nick Sheehan](#)
To: [NASAA Comments](#)
Cc: bill.beatty@dfi.wa.gov; [Theresa Leets](#); [Erin Houston](#)
Subject: [EXTERNAL]Request for Public Comment- Proposed NASAA Model Franchise Broker Registration Act
Date: Thursday, June 13, 2024 1:41:29 PM

Dear NASAA:

Thank you for the opportunity for public comment concerning the NASAA Model Franchise Broker Registration Act. We serve as co-founders of the Rep'm Group, a franchise sales organization that works with hundreds of franchise brokers across a variety of industries. We have been involved in franchise development for decades and in our collective experiences, we have served in franchise development with large franchisors, been multi-unit franchisees and established a franchisor from the ground-up.

We reviewed the model rule in light of our personal experiences in franchise development as well as our experience as a former franchisee and franchisor. There are aspects of the rule that will help ensure that ethical standards are maintained. Specifically, implementing an educational certification program is welcome and would go a long way to help meet the NASAA's stated goal. These kinds of programs exist in other professional organizations and can be replicated within our industry.

There are other aspects of the model rule that may have some unintended negative consequences. Specifically, the following should be considered when finalizing the model rule:

- Disclosure:
 - A simple one or two-page informational disclosure about the general role of brokers would serve to appropriately inform a potential franchisee. The franchisee may understandably want to know if a broker would receive a commission-based form of compensation. The general disclosure may include information about the role of the broker in a transaction and the fact that the broker may receive a form of commission associated with the sale of such license. The disclosure could even include information about any educational standards that are in place for brokers. This general form of informational disclosure could be disclosed contemporaneously upon disclosure of the FDD. This will enable an efficient disclosure process while not overwhelming franchisees with multiple disclosures.
 - The disclosure should not include further details beyond the foregoing for a variety of practical reasons. The specific amount of such broker compensation would be unknown at the time of FDD disclosure. In addition, the franchisee is already being disclosed with the franchisor's financial information. This specific financial information is far more relevant to the potential franchisee because it informs them about their actual investment. Including additional specific disclosure requirements about the financial wherewithal of the broker is irrelevant and may only serve to confuse the franchisee candidate. A general disclosure about the fact that brokers may receive a commission would suffice.
- Registration:
 - Given the sheer volume of brokers and the fact that many brokers are independent contractors, it would be very difficult to administer any kind of registration program at scale. As an alternative, brokers could be required to disclose whether or not they meet the educational criteria established by an independent third party. This may provide comfort to any potential franchisee

that certain objective criteria are in place, that the broker meets or exceeds such educational criteria further ensuring ethical standards are met.

We hope that you take these practical considerations into account as this important model rule takes shape. Thank you for your time and attention.

Sincerely,

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