

From: [Cale Bearden](#)
To: [NASAA Comments](#)
Cc: [Theresa Leets](#); bill.beatty@dfi.wa.gov; [Erin Houston](#)
Subject: [EXTERNAL]Re: [EXTERNAL]Re: [EXTERNAL]Public Comment (NASAA MODEL FRANCHISE BROKER REGISTRATION ACT)
Date: Friday, June 14, 2024 10:22:25 AM
Attachments: [Cale Bearden Comment to FTC.pdf](#)

Hello,

My name is Cale Bearden, I am a former franchisee of Premier Martial Arts (PMA) and Unleashed Brands (UB). Myself and hundreds of franchisees have been defrauded out of over \$100,000,000. PMA used the broker network (primarily Franchoice) and the franchise sales organization Franchise Fastlane (FFL).

Myself and numerous franchisees are currently involved in both arbitrations and lawsuits vs the PMA, UB, FFL, and individuals acting on behalf of the mentioned organizations. For me personally, I have been defrauded out of close to \$1M in actual damages and counting. Defendants have openly admitted that franchisees were "sold the farm" and lied to but are trying to evade justice and hide behind toxic contracts. In arbitrations, FFL has admitted they, along with brokers, sold franchises (not just PMA) as semi-absentee, knowing it was completely false. They have tried to place the blame on franchisees for not knowing they were being lied too. Yes, it is that ridiculous.

To make matters worse, not only did PMA (UB), FFL, and brokers openly lie about the business model, they even fabricated the financials to go along with it. The FDD analysis from our attorneys walking step by step through the fraud is below. Also, part of this Dropbox link is the audio recording of UB's salesman admitting numerous times franchisees were lied to and FFL was a major one to blame.

<https://www.dropbox.com/scl/fo/hukj1t5i1m15e0e23nhqa/h?rlkey=4gh9pt8nqpf25b2f9blzv1nrx&st=f76xwjud&dl=0>

My wife and I used a Franchoice Consultant, Giuseppe Grammatico. I went with him because he had a similar background to myself and was seemingly transparent about the entire process. Sadly, everything he told us was a lie he concocted to sell us a franchise and make over \$100k commission (allegedly).

We told Giuseppe that we did not want a brick-and-mortar franchise but he was persistent that PMA had unbelievable success and it would be unethical for him not to at least show it to us. I believe he presented PMA because my wife and I had told him we planned to have our first child and he knew that he could take advantage. PMA was selling itself as not only a business model that had been around for 20 years (lie), but you could empower kids and make a difference in your community.

Giuseppe told us he had a longstanding relationship with the founder and Brent Seebom of FFL, and he completely vouched for their credibility. Nevertheless, we still conducted extensive due diligence. Unfortunately, it turned out FFL and seemingly Franchoice, were instructing franchisees and former licensees to lie to prospective franchisees about numerous material facts. Additionally, both Giuseppe and FFL lied about the ability to resell territories you purchased and used it as a way to get you to buy more than you intended. We were talked into buying 6 territories, since we weren't completely sure which ones we wanted, and were assured we could sell them at a later time. Nothing could have been further from the truth. We later found out Giuseppe had completely lied to us on how he was paid. At the start, he told us he was only paid if we opened a territory and he claimed it incentivized him to show great brands

he believed in. When I later found out it was a sham, I called Giuseppe and he told me I couldn't sell my territories and I needed to hold them longer. My understanding is he needed us to stick around longer to earn the full amount.

I could keep going on and on about all the illegal and unethical practices we have experienced along the way. Franchising is a complete cesspool filled with bad actors. I have had numerous franchisees from other brands reach out and tell me the same playbook was run on them. FFL and Franchise continue this practice still to this day and won't stop until there are real regulations and consequences in place.

I would request that in the future, NASAA find a better way of reaching out to franchisees for comment. I have been highly involved in franchisee advocacy and franchise regulation for the past 18 months but just now saw this RFI. The people you need to hear from the most never have an opportunity to comment because they don't know this exists. Also, 99% of franchisees are terrified of retaliation, and rightfully so. UB has been relentless and has told franchisees they will bankrupt our grandchildren if we press forward. The VP of operations has even threatened to assault me.

I apologize for any typos. I found out about this on short notice and did not have time to organize an extensive email as I have prior obligations for the next few days. I have attached the comment I made to the FTC during their RFI which provides additional info.

Best,
Cale Bearden

Cale Bearden
Fort Worth, TX
cale.bearden@gmail.com

May 23, 2023

Dear Commissioner Khan and Members Slaughter and Bedoya,

I write this letter with an urgent plea for the Federal Trade Commission (FTC) to take swift and decisive action by enforcing Section 5 of the FTC Act, 15 U.S.C. § 45, and comprehensively revising the FTC Franchise Rule. As a franchisee of Premier Martial Arts in the Dallas/Ft Worth area, my experiences have been nothing short of a nightmare, marked by deception, mistreatment, and severe financial hardship. As of today, my family is saddled with over \$900,000 of commercial lease liability and a \$250,000 SBA loan, as well as the accumulation of losses from opening and operating the franchise. It is crucial that the FTC addresses the systemic issues within the franchising industry to protect the rights and well-being of franchisees who have been subjected to egregious and malicious practices.

On March 16, 2023, a salesman for Premier Martial Arts and Unleashed Brands used the following statements to describe the business model sold to myself and many, many other franchisees:

“It’s just simply not true.”

“You are going to have to pour 40 hours per week into this business. . . . The ones that were pitched that that [semi-absentee model] was reality, that’s just not reality. This is an owner-operated model at Premier Martial Arts.”

“Essentially, we had a lot of franchisees that were sold the farm.”

“There were a lot of operational deficiencies, I don’t want to call them lies for legal purposes, but that’s essentially what [PMA franchisees] were told.”

“We’ve not got that model figured out just yet.”

When my wife and I made the life-altering decision to invest in a Premier Martial Arts franchise, we placed our trust in a Franchise Consultant from Franchoice, who assured us that it was the perfect fit for our goals. We clearly communicated our desire for a semi-absentee business model with a meaningful community impact, explicitly stating our apprehension towards brick and mortar establishments due to their associated risks and complexities. Regrettably, the reality we faced bore no resemblance to the rosy picture that was painted for us.

From the onset, the franchise consultant, who was supposed to guide me towards a successful venture, proved to be nothing more than a purveyor of falsehoods and self-interest. He shamelessly lied about the systems and processes associated with Premier Martial Arts, falsely claiming they were the “best he had ever seen”. In retrospect, it is evident that his motivation was not to find the perfect fit for my family but rather to secure a larger commission check by encouraging us to buy multiple territories. His deception continued when I expressed my desire to sell territories due to the nightmarish experience I had encountered early on. Instead of providing genuine guidance, he urged me to wait longer, I assume to protect his own commission from potential clawbacks.

The lack of oversight and accountability in the franchise consulting industry is deeply concerning. Unlike most professions, franchise consultants operate without any meaningful regulation or standards to ensure ethical practices and protect prospective franchisees. The

absence of requirements for franchise consultants to disclose their commissions or act as fiduciaries creates a dangerous environment where misinformation and self-interest usually prevails. To establish trust and protect prospective franchisees, it is imperative that franchise consultants be subject to appropriate certifications and licenses, similar to those required for stock brokers or realtors. These measures would bring much-needed accountability, transparency, and professionalism to the franchise consulting industry, ensuring that prospective franchisees receive honest, unbiased guidance and protection throughout the franchise selection process.

In 2018, PMA hired franchise sales organization, Franchise Fastlane, to re-engineer their sales pitch to sell-sell-sell as many franchises as possible. Fastlane, PMA, and Unleashed Brands target individuals who want to make a positive impact in their communities and to contribute to the well-being and development of children by making claims such as “[o]ur sole goal is for our students to develop self-discipline, high self-esteem, a positive outlook, a spirit of constant improvement, and an attitude that refuses to give up.” Sadly, their actual goal was to enrich themselves at the expense of franchisees who were trying to empower the lives of young kids.

Unfortunately, myself and numerous franchisees have been the victim of a well crafted campaign of misrepresentations, omissions, half-truths, bad faith acts, general incompetence, and lies. The scheme to defraud included: (1) systematically subjecting prospective franchisees to false and misleading information about PMA and the Semi-Absentee Model; (2) using the martial arts experience of Van Over and the purported financial performance of the Legacy Owners to give prospective franchisees false impressions about the Semi-Absentee Model; (3) developing a system to lure prospective franchisees using Seebohm and FFL to amplify these misrepresentations; (4) tying franchisees into a series of commitments to purchase services, inventory, and equipment from companies that wildly overcharged franchisees and were

ultimately incompetent and ineffective; (5) subjecting prospective franchisees to “Discovery Days,” where Van Over and Seebohm reiterated their false narrative and promises in a multi-day, high pressure sales pitch; (6) falsely stating that certain prospective franchisees are “required” to purchase multiple territories and that the cash flow from the first territory would be sufficient to fund the second even though PMA and Fastlane were well aware that the business model did not work and, in essence, the “required” territory purchase is just a way to increase the “franchise fee” from approximately \$50,000 to up to multiple hundreds of thousands of dollars; (7) structuring the “onboarding” process such that prospective franchisees are told that they must assign and/or transfer their Franchise Agreement to a new business entity and, then, as part of that “assignment” attempt to hide general releases in these “transfer” documents; and (8) fraudulently misrepresenting the financials provided in the FDD by, among other things (and as detailed below) purposely omitting low-performing franchises from the calculations, stating that low-performing franchises had profit margins in excess of 40%

To make matters worse, Brent Seebohm (Franchise Fastlane Salesman) and Barry Van Over (former PMA President) and Myles Baker (VP PMA), adamantly stated that the franchise agreement was non-negotiable. Such practices are inherently unfair, perpetuate an unequal power dynamic, and expose franchisees to significant risks and financial hardships.

Below is a video of Brent Seebohm reiterating that there are no edits or changes to the franchise agreement.

<https://loom.com/share/2df69edbd1264cc59e63aa5f404ff364>

Exploits in the franchise agreement were further compounded by the inclusion of releases that attempted to absolve the franchisor and their agents of any wrongdoing. These releases were strategically and maliciously inserted into required addendums, creating a web of legal

entanglements that attempted to shield Fastlane, PMA, and Unleashed from accountability. We were forced to sign the franchise agreement and area development agreement with our personal information instead of a business entity. Later we were instructed to transfer ownership from our personal information to a newly created entity. In the amended contract were the releases described above. We were told to either sign the contract or forfeit the territory fees paid (in my case \$206,500). Given the threat of losing the considerable amount I had already invested, I was given no negotiating power, effectively forfeiting my right to pursue legal recourse or expose the fraudulent practices that had been perpetrated against me. The inclusion of such release clauses is not only ethically reprehensible but also indicative of a systemic failure to protect franchisees from unscrupulous franchisors.

Brent Seebohm suggesting franchisees not to sign the franchise agreement with a business entity

<https://loom.com/share/abf6abd320fd4ca2965938ef0867ab5c>

The misrepresentations and false promises surrounding the franchise's operational requirements and time commitment were perhaps the most devastating revelations. I was assured that the business model could be managed on a part-time basis, requiring only 10-15 hours of work per week. However, the harsh reality soon set in, as I found myself entangled in a never-ending cycle of exhausting workweeks, demanding an astonishing 60-80 hours of my time. The promised semi-absentee opportunity turned out to be a complete fabrication, leaving me and my family emotionally drained and physically exhausted. The franchisor's gross misrepresentation of the time commitment required not only undermined our work-life balance but also had profound financial repercussions. The additional hours I had to dedicate to the business significantly impacted my ability to seek alternative employment to support my family, trapping me in a precarious financial situation with mounting debts and obligations. This lie was

also a key component in fueling the fraud. Claiming the franchise was semi-absentee created significant interest from prospective franchisees looking to supplement income from their full-time job. This 'fresh money' allowed Fastlane, PMA, and Unleashed Brand to put the racket into overdrive.

In the video linked below, Myles Baker, denies that franchisees were told it would be semi-absentee and 10-15 hours/week.

<https://www.loom.com/share/045c86c3147542c2b6565d4461ae8b5a>

Barry Van Over reiterating semi-absentee ownership

<https://www.loom.com/share/1245d60a236b4109b724ae84f5cc5f01>

Brent Seebohm (Fastlane) “truly semi-absentee, 12-15 hours/week”

1:20 mark

<https://www.loom.com/share/9ddaa44a7d784492aade797eb102121d>

Barry Van Over on Franchoice consultant, Kim Daly's podcast claiming PMA is “super semi-absentee” and falsely claiming profitability numbers.

<https://www.loom.com/share/c9d11c6781c44b728049e8692bd35d3d>

Another area of deceit pertained to the construction costs associated with establishing the franchise. Throughout the sales process and in the FDD, I was provided with misleading information about the expenses involved. At Discovery Day, the required construction management company, Foxfield, reiterated the falsehoods. I was assured my fear of a brick-and-mortar franchise and risk around construction was unfounded given their expertise and use of economies of scale. I was promised negotiated vendor rates that would substantially

reduce costs, only to discover that the actual expenses were at least double what had been represented. The discrepancies between the promised construction costs and the reality were staggering, leaving me financially strained and grappling with an unexpected burden of debt. I was forced to take out an SBA loan to ensure I had the required capital to open the studio.

Additionally, Foxfield and Unleashed set up a shell company (Forecast Procurement) to drain franchisees of even more money. Foxfield is owned by the Piazza family (Chuck and Tom). Forecast Procurement is a required vendor franchisees must use and is also owned by Chuck Piazza. Our main contact for Forecast was a lady named Andrea Monahan. Ms. Monahan is actually Andrea Piazza, Chuck Piazza's wife of 28 years. I assume Andrea's maiden name was used to hide this massive conflict of interest. This was never disclosed to franchisees at any point, and for good reason. Forecast was purchasing our required equipment and furnishings at wholesale then adding a substantial markup to bleed more money from franchisees. The markup was as high as 86% on some of the required items. When some franchisees confronted Unleashed Brands, we were informed they had done an internal investigation and there was no wrongdoing or conflict of interest.

The profit margins promised by the franchisor were nothing more than illusory projections that never materialized. It was communicated countless times the profit margin was in excess of 40% for the average studio. These enticing figures were presented as achievable within the first year of business, instilling confidence that the business model was reliable. However, the harsh reality was starkly different. Instead of experiencing profitability, I found myself constantly struggling to generate enough revenue to cover even the basic operating expenses. The fictitious nature of the profit projections and the complete lack of transparency regarding their accuracy and achievability reflect the inherent flaws in the franchisor's business model. Below is a screenshot from a sales video that was distributed by Franchise Fastlane and Premier Martial

Arts. In this video, Brent Seebohm (Fastlane), reiterates the semi-absentee 10-15 hours/week fallacy. Additionally, Barry Van Over (behind the 4) and Myles Baker (behind the 3) reiterate the fictitious profit margin expectations.

0:52 mark, Barry Van Over claims profit margins of 43-49%

<https://loom.com/share/9ddaa44a7d784492aade797eb102121d>



It was later discovered that in both 2016 and 2017, Myles Baker and Barry Van Over posted public videos on YouTube proving they knew this was false. In both of the videos below, Van Over and Baker clearly state the profit margin for a well run martial arts studio is 20-25%. Importantly, the profit margin figures claimed are pre-franchising and not inclusive of the additional royalties and fees franchisees bare. Premier Martial Arts began franchising in 2018. Somehow, the margins doubled after PMA started franchising. Additionally, the profit margins discussed were not in regards to the business model pitched to new franchisees. This was for a

completely separate owner-operator business model. This distinction is critical as the overwhelming majority of new franchisees are non-martial artists.

July 25, 2016

<https://www.loom.com/share/955cd96eddc5464488eb0feff063556d>

Jan 6, 2017

<https://www.loom.com/share/a77c25bbb6f543eaae9f78cdd8f26a4b>

The nature of these deceptive practices, coupled with the personal hardships endured by franchisees like myself, underscores the urgent need for comprehensive reform within the franchising industry. Moreover, the threats posed by increased private equity acquisitions of franchisors have only exacerbated the challenges faced by franchisees nationwide. It is crucial that the FTC addresses these systemic issues and incorporates the following provisions into the revised FTC Franchise Rule:

1. Empowering Franchisees: Franchisees must have the right and ability to negotiate the terms of franchise agreements, ensuring fairness, transparency, and a balanced contractual relationship. The non-negotiable, take-it-or-leave-it approach perpetuates an inequitable power dynamic that leaves franchisees vulnerable to exploitation.
2. Prohibition of Coercive and Misleading Practices: Franchise consultants, franchisors, and their agents must be prohibited from engaging in coercive tactics, false promises, and misleading statements designed to manipulate franchisees into signing agreements without due

diligence or legal counsel. Franchisees must have the freedom to negotiate and review contracts without fear of retribution or financial repercussions.

3. Protection against Retaliation and Unfair Treatment: Franchisees should be protected from any form of retaliation, including audits, inspections, or punitive measures, for participating in non-franchisor endorsed or sponsored franchisee associations or expressing concerns about their franchisor's practices. The revised rule should establish clear protections against unfair treatment, ensuring franchise relationships are based on mutual respect, open communication, and the ability for franchisees to voice their concerns without fear of reprisal.

4. Strengthened Financial Projections and Performance Data: Franchisors, especially those influenced by private equity ownership, must provide transparent and realistic financial projections based on historical data and the experiences of existing franchisees. This should include comprehensive disclosures of revenue expectations, expenses, and key performance indicators. Franchisees must have access to accurate and reliable information to make informed investment decisions.

5. Fair Pricing and Vendor Relationships: Franchisees should be afforded the freedom to choose local vendors and suppliers, promoting healthy competition and fostering strong local economies. Franchisors must be prohibited from engaging in exclusive purchasing requirements or undisclosed conflicts of interest that limit franchisees' ability to source products and services at competitive prices.

6. Enhanced Oversight of Private Equity Acquisitions: Given the increasing influence of private equity firms in the franchising sector, the revised FTC Franchise Rule should include robust oversight and regulation of these acquisitions. This should involve comprehensive due diligence

requirements, including a thorough examination of the financial stability, track record, and intentions of private equity firms acquiring franchisors. Additionally, the FTC should closely monitor the impact of private equity ownership on franchisees, ensuring that their interests are protected and that the long-term sustainability of franchise systems is prioritized.

7. Strengthened Enforcement and Remedies: The revised FTC Franchise Rule must include stronger enforcement mechanisms and remedies to hold franchisors and private equity firms accountable for deceptive practices, fraudulent misrepresentations, and breaches of contract. Penalties for non-compliance should be substantial enough to deter such behavior, and franchisees should have accessible avenues to seek redress, including the ability to pursue legal remedies without fear of financial ruin or retaliation.

The time for change is long overdue. The FTC has a vital role to play in safeguarding the rights and interests of franchisees who place their trust and livelihoods in the franchising industry. By comprehensively revising the FTC Franchise Rule, the FTC has the power to restore balance, fairness, and integrity to the franchise relationship, protecting franchisees from the exploitative practices that have caused immeasurable harm.

I respectfully urge the FTC to act with urgency and determination to rectify the injustices endured by franchisees and to pave the way for a brighter and more equitable future for all franchisees. The proposed revisions should be aimed at fostering transparency, accountability, and fairness within the franchising industry.

I implore the FTC to heed the voices of franchisees who have suffered due to the exploitative practices of franchisors. The need for comprehensive revision of the FTC Franchise Rule cannot be overstated. It is the responsibility of the FTC to champion the rights of franchisees, to restore

their faith in the franchising system, and to ensure that they are provided with the necessary protections and support to thrive.

I appreciate the opportunity to share my experiences and I trust that the FTC will bring much-needed transformation in the franchising industry.

Thank you for your attention to this matter, and I remain hopeful that the FTC will act swiftly and decisively to address the pressing issues facing franchisees.

Sincerely,

Cale Bearden