

From: [Shane Taylor](#)
To: [NASAA Comments](#)
Cc: [Theresa Leets](#); bill.beatty@dfpi.ca.gov; [Erin Houston](#)
Subject: [EXTERNAL]RE: Proposed NASAA Model Franchise Broker Registration Act Public Comments
Date: Tuesday, June 11, 2024 5:47:02 PM

Thank you for the opportunity to comment on the proposed statement of policy (SOP) regarding the use of franchise questionnaires and acknowledgments. My name is Shane Taylor, I am a Desert Storm Veteran and I have been a Premier Martial Arts Franchisee since 2020. Prior to that I had a very successful 25 year career in Technology Solutions Sales and currently run a successful Real Estate Investment business for the last 16 years in addition to my PMA Franchise.

I want to give you a little bit of background on my journey into the franchise business and the struggles we have had which can be directly led back to some improper financial representations made by the franchise broker I worked with. I started looking at franchising as a way to slowly start exiting my career. I began looking for a franchise that would provide me with a consistent income while working minimal hours. (That is not to say that I wasn't willing to learn the systems necessary to get the business up and running successfully) I heard many sales pitches from many different brokers in the industry all very similar. "This is an absentee owner business model, that will produce \$X in income once you have staff in place and trained" & "We will help you shortcut your way to success with our X number of years proven business model". After reviewing a number of different business and doing my due diligence to the best of my ability I chose Premier Martial Arts because of the impact we could make in our community and what seemed to be a well-tested and long track record of success. Or so we thought.

The broker played a key role in some of that due diligence process as they delivered :

- The FDD – We found out later that the FDD numbers provided had not been vetted by anyone at the broker or any government agency. That FDD have financials based on a 20 year licensing model of Martial Arts Schools that were not the same size or model of what we were being sold
- They supplied owners we could talk to. We later found out that at least one of these owners were coached on what to say.
- They walked us through the process where we were delivered to "Discovery Day" where we were basically presented the same economic numbers usually by the broker but in the presence of the founder and VP of the franchisor giving the impression that these were in fact legitimate numbers. I point that only because I have invoked the arbitration clause of my contract along with 64 others and during mediation and settlement discussions the broker is claiming they were supplied the numbers by the franchisor. So my question is why would they not verify or audit if there wasn't an intent at misleading? At what point does the franchisor/founder step up in the presentation and say that isn't accurate?
- The franchise broker sold 700 franchise agreements in a little over 2 years yet the franchisor never scaled the back office to support this pace of sales. During that process a franchise was opened within the radius of my protected territory. That franchise ultimately went out of business within less than a year and almost put me out of business. At what point is the broker and franchisor held responsible for the number of franchises sold and held

accountable for the locations opened?

- These are just a few of the many claims and actions that I encountered in this process and am happy to discuss more if anyone is interested.

I am in full support of NASAA's proposed SOP as a move in the right direction. I have watched as my peers have closed 1 by 1 and listened to the stories of financial ruin. Well over 100 just within my franchise organization at last count. Unleashed Brands that purchased Premier Martial Arts a couple of years ago currently has 5 of its 7 brands that have had a significant amount of their respective brands with similar stories. Recently I read comments from the President of the IFA attacking owners like ourselves that continue to ask for more oversight, fairness and transparency by referring to our stories as "anecdotal".

I do believe at one time franchising was a great way to enter and build a business but in my opinion this process of the 3rd party franchise broker being used by a franchisor creates an environment ripe with potential fraud without any sort of framework or oversight. It sheds a bad light on the entire industry when you see the amount of franchisees losing their life savings and dealing with financial ruin and it isn't an anomaly or anecdotal, it's becoming the norm. I have watched as my peers have closed 1 by 1 and listened to the stories of financial ruin. 2 on a Facebook Group with announcements of closure today as I write this. Well over 100 just within my franchise organization at last count. I have managed to stay open but at a very significant loss just holding out hope that things would turn around. Hind sight being 20/20 I probably should have closed a long time ago but I wanted to keep the commitment to my community and the families and kids who have invested their time, money and trust with us. We currently operate most months close to break even and I have yet to take any kind of salary from this business.

Thank you for listening

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