



Franchising[™]
Building local businesses,
one opportunity at a time.

April 24, 2009

The Honorable Bernie Anderson
Nevada Assembly
401 S. Carson St , #3127
Carson City, NV 89701

Dear Assemblyman Anderson:

On behalf of the International Franchise Association (IFA), I am writing to express concerns with your Assembly Bill 470, regarding non-compete agreements. This legislation impacts the private contractual relationship between franchisors and franchisees, as well as franchisees and their employees, by restricting the use of a common practice in franchising. IFA respectfully requests that the bill be amended to remove franchises (as defined under federal law in 16 CFR 436 et. seq.) from the scope of the bill.

As the largest and oldest franchising trade group, the IFA's mission is to safeguard the business environment for franchising worldwide. IFA represents more than 85 industries, including more than 11,000 franchisee, 1,200 franchisor and 600 supplier members nationwide. According to a 2008 study conducted by PricewaterhouseCoopers, there are more than 900,000 franchised establishments in the U.S. that are responsible for creating 21 million American jobs and generating \$2.3 trillion in economic output. In Nevada alone, there are over 8,100 franchise establishments employing approximately 141,000 individuals and generating \$13 billion in economic output annually.

While the purpose of this legislation may not have been to address concerns with franchising, the effect will add unnecessary complications to the relationship between franchisors and franchisees. The revised version of the bill, dated April 20, continues to inhibit the use of non-compete agreements between franchisees and their employees in fields requiring state licensing.

Franchised businesses operate in many industries that require employees to hold a state-issued professional license. Some examples include hair care, real estate, accounting, interior design and massage therapy. It is likely that the franchisee of this type of business is also a licensed professional in the given field.

IFA's concerns stem from the fact that many franchise agreements between franchisors and franchisees and work contracts between franchisees and their licensed employees contain some form of non-compete agreement that governs certain activities by the franchisee or employee once they no longer operate the franchised business. The provisions are designed to protect the

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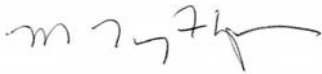
intellectual property and operational systems unique to that franchise from being used by a competing business. Non-compete provisions are typical and have been ruled acceptable in many circumstances by courts of law.

Assembly Bill 470 would void the non-compete provisions of existing contracts. This hampers the ability of franchisors to protect their intellectual property, and would complicate the day-to-day employee relations at a franchised business where employees must hold a state-issued professional license.

Moreover, franchising is already a business method with significant regulation on the state and federal level. The Federal Trade Commission's Rule on Franchising, as well as various comparable state laws and regulations, ensures that a prospective franchisee receives a detailed Franchise Disclosure Document and that the existence of any non-compete provisions, as well as various other terms of the potential franchise agreement, are fully disclosed.

For these reasons, IFA again expresses its opposition to A470 in its current form and looks forward to working with you on ways to narrow the scope of the bill. Enactment of this legislation will hinder the use of franchising in Nevada as a path to small business ownership.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Troy Flanagan". The signature is written in a cursive style with a long horizontal stroke at the end.

M. Troy Flanagan
Director, Government Relations