

URGENT: FINANCIAL PERFORMANCE RED FLAG ADVISORY

Date: [Insert Date]

To: [Insert Franchisee Name/Entity]

From: [Insert Department/Name]

Subject: Performance Variance - Item 19 Disclosure Analysis

Dear [Insert Name],

This letter serves as a formal advisory regarding the financial performance of your franchise location situated at [Insert Address/Unit Number].

Based on our recent review of your financial statements for the period ending [Insert Date], we have identified a significant downward variance between your unit's actual performance and the financial performance representations (FPR) provided in **Item 19** of our Franchise Disclosure Document (FDD).

Specifically, the following "Red Flag" indicators have been noted:

- **Revenue Variance:** Actual gross sales are [Percent]% below the system average/median stated in Item 19.
- **Operating Margin:** Cost of Goods Sold (COGS) or Labor costs exceed the historical benchmarks provided.
- **Net Profitability:** The current trajectory indicates a potential inability to meet upcoming debt service or royalty obligations.

The purpose of this advisory is to prompt immediate corrective action to align your operations with the historical performance standards of the brand. We recommend an immediate review of your local marketing efforts, staffing levels, and waste management protocols.

Please submit a written "Performance Improvement Plan" to the corporate office by [Insert Date] outlining the steps you will take to address these variances.

Failure to stabilize these financial indicators may impact your standing under the Franchise Agreement. We remain available to provide operational guidance during this period.

Sincerely,

[Your Signature]

[Your Printed Name]

[Your Title]