

DATE: [Date]

TO: [Prospective Franchisee Name]

ADDRESS: [Address Line 1], [City, State, Zip]

RE: ADVISORY - Analysis of Litigation History for [Franchisor Name]

Dear [Prospective Franchisee Name],

We are writing to provide a formal advisory regarding the litigation history disclosed in Item 3 of the Franchise Disclosure Document (FDD) for **[Franchisor Name]**, dated **[FDD Date]**.

Upon review of the disclosed records, we have identified specific "red flags" that may indicate potential operational or legal risks for a prospective franchisee. Please consider the following points of concern:

- **Volume of Litigation:** There is a significant number of pending and/or concluded lawsuits involving the franchisor compared to industry averages.
- **Nature of Claims:** A recurring pattern of claims related to [e.g., fraud, misrepresentation of earnings, or breach of contract] suggests systemic issues.
- **Franchisee-Initiated Actions:** Multiple lawsuits have been initiated by current or former franchisees, which may indicate dissatisfaction with the franchisor's support or business model.
- **Governmental Actions:** Disclosures include actions brought by state or federal regulatory agencies regarding [e.g., consumer protection or securities violations].
- **Impact on Financial Stability:** The potential damages or settlement costs associated with current litigation may pose a risk to the franchisor's long-term financial viability.

Recommendations:

1. Perform additional due diligence by contacting current and former franchisees listed in the FDD.
2. Request specific details from the franchisor regarding the resolution or current status of [Specific Case Name/Number].
3. Consult with specialized franchise legal counsel to assess how these legal matters might impact your specific territory or operations.

The presence of significant litigation does not automatically disqualify an investment, but it necessitates a higher level of scrutiny before you execute the Franchise Agreement.

Sincerely,

[Your Name/Firm Name]

[Title]

[Contact Information]