

The Franchise Disclosure Document (FDD) supports fraud rather than preventing it. Any revision of the Franchise Rule that perpetuates the already broken system will not protect victims, the franchise industry, small business owners or the economy. The Federal Trade Commission has a *duty* to protect all parties and the current Franchise Rule's inefficacy is demonstrative of a *breach* of that duty. Many fraud victims are due damages related to the harms that have come to them as a result of the FTC's *breach of duty*.

Below are ten assertions that, together, demonstrate that the FDD promotes fraud. After stating the ten assertions, I tell my own story and use evidence from my story to prove the ten assertions' validity. At the end of this document, I offer twenty-five innovative solutions that, if applied, could re-establish fair competition and support the small businesses that would be the backbone of our economy if the franchise industry weren't strangling them.

My ten assertions demonstrate that the FTC cannot correct its *breach of duty* by simply revising technical details in the Franchise Rule or by adding or taking away regulations. A focus on technical details will not resolve the fraud and will only perpetuate a broken system that allows white collar criminals to harm our nation, our small business owners, and our economy. A much more thorough reevaluation and revamping of the franchise industry is necessary to expel fraud and to protect our nation. And most importantly, any system that is not enforced is a system ripe for exploitation.

The FTC also cannot rely on legislation to resolve its *breach of duty* because offending franchisors use their financial advantage to lobby for laws that allow franchisors to perpetuate their fraudulent actions using civil courtrooms. Representative Keith Ellison of Minnesota introduced the Fair Franchise Act of 2017 in an attempt to resolve the endemic fraud, inequity, and injustices in litigation. Senator Cortez Masto of Nevada introduced the SBA Franchise Loan Transparency Act of 2019 in an attempt to end the endemic fraud associated with taxpayer-backed SBA franchise loans.

Yet the onus is on the FTC, not the legislature, to protect competition and "investigate and prevent unfair or deceptive practices of commerce" (ftc.gov). The franchise industry is using fraud to boost franchisor revenue and beat out non-franchised small businesses and it is the FTC, not the legislature, that is tasked with protecting competition. Most Americans would be shocked to learn that the low prices of their pizzas and burgers are subsidized by the homes and life savings of small business owners called franchisees who live in their home towns.

And while it is considered normal for parties with money to lobby legislatures for influence over laws, any influence offending franchisors may have on the FTC and the Franchise Rule is only further evidence against the FTC and is further indicative of the FTC's *breach of duty*.

My personal case is informative. Lessons learned can be applied to the endemic fraud in the industry as a whole. My circumstances were unique because in addition to being defrauded, I witnessed and refused to be complicit to domestic and international call recording and privacy

crimes. Yet even in my unique circumstances, when another unrelated crime was on the table, I, like many franchisees before me, lost the civil litigation my franchisor leveled against me using the franchise agreement they defrauded me into signing using FDD misrepresentations and other strategies. I never even opened a franchised business. I witnessed the crime during the first month of my contract and immediately sought to get away from the dangerous people who sold me the franchise. Yet today, I owe them \$363,000 plus any attorney fees they spent in the appellate court and in responding to my Texas Supreme Court petition for review. I'm deciding whether or not I should declare bankruptcy.

The travesty of justice in my situation sheds a light on franchisor offenders' patterns of mass exploitation. We see how franchisors intentionally use FDD misrepresentations to get franchisees to sign dangerous franchise agreements. We see how franchisors then use the dangerous franchise agreements alongside intimidation and threats of civil litigation to glean compliance. We see how franchisors use civil litigation against one franchisee to scare other franchisees. We see how personal guarantees give franchisors incentives to attack franchisees to take their homes and life savings. We see how the inaction of government institutions empowers franchisors in their fraud.

My real-world example of the real-world effects of the Franchise Rule demonstrates that any solution that will protect our economy and small business owners must be a solution that goes beyond revising technicalities in regulations. It is false to claim that my example is an isolated story of what happens when someone signs a contract with one of the "few rotten apples in franchising." My story is not an isolated occurrence. On August 8, 2019, I published an article entitled "Franchise Grade Numbers Reveal Industry Crisis" on my personal blog *Stop Franchise Fraud*. The numbers tell the real story. (See Attachment 1: Janai_ "Franchise Grade Numbers Reveal Industry Crisis - Stop Franchise Fraud")

We can expect that there will always be offenders ready to exploit whatever system is put in place. Solving the problems in the franchise industry will not be found through debating technicalities and regulations, but through considering offenders' patterns of exploiting them and then finding innovative solutions to protect competition, the economy, small business owners and our nation.

And of course, criminal investigations, prosecutions and other methods of enforcement are absolutely necessary if the FTC wishes to rectify its breach of duty.

Ten assertions that together demonstrate that the FDD supports fraud and that the FTC has breached its duty to protect all parties, competition, and the economy:

1) Misrepresentations in the FDD are fraud.

- 2) Offending franchisors are incentivized to make fraudulent misrepresentations in FDDs because misrepresentations help offending franchisors convince victims to sign franchise agreements.
- 3) Offending franchisors are rewarded for fraudulent FDD misrepresentations because when their victims sign franchise agreements, offending franchisors immediately collect substantial franchise fees from their victims.
- 4) Offending franchisors are rewarded for fraudulent FDD misrepresentations because their victims sign personal guarantees, giving offending franchisors control over their victims' assets, including their victims' homes and life savings.
- 5) Due to relationship dynamics inherent to franchising, offending franchisors are inherently more powerful, more prepared for legal conflict, and more financially well-endowed than their franchisee victims. As in all crimes, power differences in franchising are an inherent component of the offender-victim relationship.
- 6) The verbiage of franchise agreements and the greater financial position and power of offending franchisors allows offending franchisors to use threats of aggressive civil litigation to intimidate and silence their victims into compliance and, ultimately, to use actual aggressive civil litigation to take assets of any victims who are not sufficiently compliant in response to threats.
- 7) Offending franchisors are not incentivized to be honest in FDDs because there is no system in place to hold offending franchisors accountable for misrepresentations. Lack of accountability allows white collar criminals free reign to exploit their victims and the Franchise Rule.
- 8) Victims receive no protection from the FTC because the FTC does not enforce the Franchise Rule and does not respond to reports of fraud. Victims receive little to no protection from state offices of the attorneys general.
- 9) Victims receive no civil protection through the Franchise Rule. Even if victims did have a private right of action, it is unlikely that many victims would have the financial resources to protect themselves against well-endowed and well-prepared offending franchisors in civil courtrooms.
- 10) Victims receive no protection from criminal law enforcement because law enforcement is not addressing white collar franchise fraud. Further, offending franchisors use their money to lobby to control legislation that might otherwise define franchise fraud in a manner that would give law enforcement more opportunity to begin investigating and prosecuting white collar franchise fraud offenders.

This is what occurred in my case:

1. During 2016, I investigated several executive search franchises and other franchises and ultimately decided to purchase an executive search franchise called Sanford Rose Associates International. Executive search is a formal name for “headhunting” or recruiting. Executive search firms generate revenue through helping corporations recruit skilled candidates for employment. Executive search firms commonly make thousands upon thousands of phone calls to corporate clients and individual employees.

2. In 2016, I had chosen franchising because the existence of the Franchise Rule and the FDD had demonstrated to me that the FTC was regulating the industry. In 2016, I felt peace of mind knowing that the government of the United States was overseeing the industry and that there were strict regulations in place to protect me should anything go wrong. The FTC’s involvement and the United States endorsement of the industry indicated stability. I do not know how I could have discovered at the time that the FTC is not actually regulating the industry when it very much appears to be doing so. If anything, the existence of the Franchise Rule and the FDD hurt me because they indicated stability where none exists. I would have been better off if the FTC were completely uninvolved in franchising because if the FTC hadn’t been involved, I never would have risked signing a franchise agreement.

3. By that point in my life, I already had far more experience with the legal system than I wanted. My ex-husband had been excessively litigious during our divorce and I had also experienced the harm that comes to sexual harassment victims when offenders use legal technicalities to ensure they can get away with their exploitations. I knew that civil litigation tends to favor the party with money and power and I knew from personal experience the futility of trying to manage aggressive litigation without money and power. By 2016, I had enough experience with attorneys and the legal system to, at the time, want to have nothing more to do with them. And I especially knew that I wanted to have nothing more to do with what I call “litigious people.” I don’t like people who take unreasonable positions and force litigation on others for personal gain.

In such a position, I was particularly attuned to the high levels of civil litigation endemic in franchising. I educated myself about the FDD, franchise sales processes and common ways in which franchisees are deceived during the sales process. My object was to avoid being defrauded and I learned enough about how franchise fraud is typically committed to, I thought at the time, understand how to protect myself.

What I really wanted was what the franchise industry says it is selling: support, community and a proven business model. I wanted to be financially independent so I could support my children independently regardless. I wanted to be a business owner. I wanted the American dream and the United States franchise industry purported to sell it to careful buyers who fastidiously examined FDDs. I even had a friend with an MBA from Harvard Business School advise me buy a

franchise after paying close attention to FDDs. How was I to know, in 2016, that the value and validity of FDDs was nothing more than a widely believed myth?

4. When investigating franchises, my distaste for litigation and the legal system led me to be particularly attentive to the FDD's Item 3, "litigation." I was looking for two primary things in a franchise: a franchise I felt confident I could make money in, and a franchise that I felt I could trust to not be overly litigious or reliant on litigation to make its profit. I wanted to get as far away from litigation and unethical "litigious people" as possible.

5. What I didn't know in 2016 was that the franchise I ultimately chose, Sanford Rose Associates International, had misrepresented their litigation history in item 3 of the 2016 FDD they presented me before I signed the franchise agreement. And what I didn't know was that an officer of Sanford Rose Associates had verbally lied to me about the officers' lack of reliance on litigation. After signing the franchise agreement, I discovered just the opposite: that the officers of Sanford Rose Associates use litigation and threats of litigation to intimidate their victims and take their victims' assets.

To state it succinctly, Sanford Rose Associates International's decision to misrepresent their litigation in item 3 of their 2016 FDD was a material fraudulent misrepresentation that materially influenced my decision to sign the franchise agreement. It was franchise fraud.

In addition to omitting franchisees they had recently litigated against, they omitted information about a case against other parties that the officers were then currently litigating. I only learned of their omissions after they sued me, after I found court records of their previous aggressions against other franchisees, and after I purchased a copy of their 2017 FDD in which they decided to disclose litigation they omitted from the 2016 FDD they provided me.

SEE Attachment 2: SRAI 2016 FDD

SEE Attachment 3: SRAI 2017 FDD

6. And what I did not know in August of 2016 when I signed the franchise agreement was that in addition to the fraud, Sanford Rose Associates International was actively engaged in another crime. I did not witness that crime until after I had signed the franchise agreement and put my fate into the hands of the owners and officers of Sanford Rose Associates International.

In September of 2016, one month after I had signed the franchise agreement, I was at my franchisee training in Plano, Texas. There, I witnessed Sanford Rose Associates International and its parent company surreptitiously recording phone calls of corporations and individuals across the United States and then inputting data collected in the phone calls into databases. Databases were used to make in-house sales and data were sold to other executive search firms. The scope of this crime was enormous because executive search firms make thousands upon thousand of daily phone calls and Sanford Rose Associates and its parent company had a standard protocol of recording all of them without informing any other parties. (It should be noted that not all Sanford

Rose Associates franchisees follow this standard protocol. In 2016, some independent Sanford Rose Associates offices may have been operating within the bounds of the law.)

I knew the privacy and call recording laws before I witnessed the crime in September of 2016. When I witnessed the crime, I immediately knew that the franchisor and its parent company were breaking criminal statutes in all of the states that prohibit recording phone calls without informing the other parties on the call. I *immediately* refused to be involved or complicit to the call recording crimes and privacy violations. It did not occur to me until later that the companies were also committing international call recording crimes and violating the privacy of corporations and individuals across the world.

7. In September and October of 2016, I also realized that I had been defrauded. I recognized that the “franchisee satisfaction award” Sanford Rose Associates International had promoted to me had been based on faulty survey methodology and that the officers of Sanford Rose knew it. I realized that I had been lied to before I signed the franchise agreement. I realized that Sanford Rose Associates had no intentions of providing me with the services I thought I had been purchasing when I signed the agreement or even the services that they had listed in writing in the franchise agreement itself. Evidence of these complaints have previously been provided to the FTC as part of complaint number [REDACTED].

SEE Attachment 4: Attorney General Franchise Business Review Complaint 1

SEE Attachment 5: Attorney General Franchise Business Review Complaint 2

8. In trying to discuss my complaints and difficulties with Sanford Rose Associates International’s officers, I recognized that their modus operandi was to write me emails documenting the many things they claimed they were in fact doing for me in comparison to what they claimed was my own lack of performance. I recognized that they were creating emails in an effort to prepare a court case against me. They did not give me the services they had agreed to give me and then blamed me in writing for not running the business in the manner they had instructed me. I was studying psychology at Harvard University at the time and recognized their behavior of not providing what was promised and then blaming all problems on me as nothing short of abusive.

I was terrified because I knew I had signed a dangerous franchise agreement with a personal guarantee and I was terrified because what I had wanted more than anything before signing the agreement was to get away from highly litigious people. Yet instead, I found myself in the clutches of people who were deeply involved in fraud, crime and litigation.

If Item 3, “litigation” of the 2016 Sanford Rose Associates International FDD had actually informed me of the danger, I never would have signed the franchise agreement. But it didn’t. The FDD disclosure process doesn’t work in the real world. Unscrupulous companies and individuals can easily take advantage of it and will continue to take advantage of it in the future regardless of any small technical changes the FTC makes to the disclosure process.

9. Instead of moving forward with the franchise, I responded to my terror by emailing the Sanford Rose Associates International officers to tell them I would not be continuing in my contract (they later used those emails against me in court). I talked to an attorney and sent them a settlement proposal. Uniquely, I had only paid 10% of the required \$88,000 franchise fee. Upon signing the agreement in August of 2016, I had negotiated to pay the remaining 90% from retirement after I completed the IRS Rollover Business Startup (ROBS) process. In addition to not continuing in my contract with Sanford Rose Associates International, I did not ever complete the IRS ROBS process and left the money I would have spent on the franchise fee in retirement where I knew it would be safe.

10. What I did not fully comprehend in the fall of 2016 was that the officers of Sanford Rose Associates International were more than 100 steps ahead of me. Their fraud was well-planned and had been written into documents that were prepared long before I had ever seriously considered the franchise industry. I knew I was in danger, but I naively supposed they would not pursue me because I had only been actively associated with their company for a little over a month and because they had not given me much of anything.

Further, I had discovered that they had not filed their business opportunity exemption statement and had been told by an attorney that such negligence would make it very difficult for them to beat me in civil litigation. I had called the Office of the Attorney General of Texas and that office had confirmed the seriousness of Sanford Rose Associates International's negligence to file their business opportunity exemption form. I hoped at the time that I might be able to be free from these dangerous people despite the dangerous agreement I had signed with them.

11. In November of 2016, less than three months after I signed the agreement, I received a letter terminating my franchise. At the time this termination was agreeable to me because I had no intention of ever being in a business relationship with the officers of Sanford Rose Associates International and its parent company. What I did not know then was that the termination was just the franchisor's execution of one planned step in its well-planned fraud that included litigation. Their next steps were on the near horizon.

12. In December of 2016, I received two emails from the CEO of Sanford Rose Associates International and its parent demanding that I give him \$80,000 to pay the remainder of my franchise fee and telling me that if I did not give him the money, he would sue me to bankruptcy like he had done to others previously. I recognized his emails as an intimidation and threat. The CEO demonstrated he was well ahead of me strategically by titling the emails "408 TRE" ("Texas Rules of Evidence) to ensure, I assume, that what he wrote couldn't be used against him in court. He knew what he was doing. He had all the advantages and he was using them.

His threatening emails were interesting because in them he mentioned other people that he had bankrupted previously. When he told me about the other people he had bankrupted, I understood

that he was using the example of other people to frighten and intimidate me. I likewise understood that I was in danger of him using legal harms he might inflict upon me in the future to frighten and intimidate other franchisees. He had incentives to hurt me that went beyond the money he might make from me because he could use the harms he committed against me to frighten and intimidate others. I was both horrified and sardonically entertained that he tried to claim he wasn't trying to intimidate me when he clearly was. He definitely showed his true colors. I felt like I had signed a contract with the mafia.

I feel it worth quoting here some of what he wrote in his intimidation emails because his words offer insight into franchisors' strategies and the way they view litigation and their financial and power advantages.

About litigation he wrote, "As I suspect a lawyer will share with you, the process will be very protracted, time consuming and expensive. I share this as you frequently reference being a single mom with limited resources. This is why I am truly trying to give you a way of resolving this now. You may be fully aware of the process, but I will share my insights on it. We will file suit and you will be served with our claims. You will no doubt engage counsel and reply with a certified denial as well as your own counter-claims. We will serve you with discovery and notice you for a deposition. I suspect your counsel will do the same with us. So we will exchange all documents, meals and communications between us. Our counsel asks you a full day of questions with you under oath with court reporter and videographer present. Your counsel will do the same with our corporate representative (most likely me) and perhaps others on our team."

His email continues, "This will be several days and literally tens of thousand of dollars in fees and expenses and many months from now. We will then be ordered to court ordered mediation. At that mediation the mediator will attempt to do then what I am doing now. Of course by then our fees are so high that our demands will be so much higher. On several occasions (different kinds of litigation) we have ben offered an amount far grater than what was offered before takin [SIC] action. However, for the exact reasons I stated, settlement does not occur. In a couple cases it was for an amount far greater. On one the amount in question was a fee dispute of just over 300k. We settled for them paying us 480k as by then we had 150k in legal fees by that point. Days of depositions, hearings and mediations. This is NOT to intimidate you in ANY way. This is GENUINELY me trying to educate, inform and yes warn (NOT IN A THREATENING WAY) you of what is to come. Email can be difficult to express emotion so please receive this in the sprit in which I am intending - that it is to avoid litigation not provoke it. It is not uncommon in that mediation that the opposing counsel begins to talk about collectability of the dispute amount using threat of bankruptcy (personal and/or professional) with us. In some cases in fact bankruptcy did result and as such collecting a judgement was not possible. *In my career we have never called this tactic to sway our strategy* [emphasis added]. I can think of several times when in fact that threat actually occurred and bankruptcy is exactly what happened. It is truly unfortunate as it just never needed to happen but I believe people (myself included in past) allow themselves to be emotional hijacked and take actions." (See Attachment 7: Rule 408 TRE-

Settlement Purposes only)

The CEO said it himself: Aggressive litigation that takes advantage of weaker parties is an explicit part of his franchising business strategy. It is unfortunate that I didn't learn about his litigation and intimidation strategies from the 2016 FDD. Of course I wouldn't have signed a franchise agreement if Item 3 in the FDD had been effective.

It is also significant that what the CEO wanted was the \$80,000 that would have been the rest of my franchise fee. He felt entitled to my full franchise fee for selling me the franchise. He had a strategy for making money off of franchise fees rather than providing franchisees the services he promised either verbally, in the FDD, or in the franchise agreement. And, as you will see, making misrepresentations in the FDD and exceptionally aggressive litigation were both part of his strategy. His goal was not to follow the laws, rules and regulations, but to be aggressive enough dominate franchisees so he could successfully churn them and collect franchise fees. In my case, he hadn't yet collected the fee because of an arrangement I made with the man he called his "co-CEO," and he thought he should get it. He felt entitled to it and wouldn't let me go until he collected it.

Keep in mind, as well, that since there is no punishment for FDD misrepresentations coupled with excessively aggressive litigation, this man is free to churn as many franchise buyers as he wants without any fear of ever being held accountable for snapping up fee after fee. The ease of FDD misrepresentations mean I could have been one of many many people he exploited. How would I ever know if I can't trust the numbers in an FDD? How would the FTC ever know?

SEE Attachment 6: "Rule 408 TRE"

SEE Attachment 7: "Rule 408 TRE-Settlement Purposes Only"

13. At this point, I still needed to figure out how to support my children independently and I definitely did not have the ability to give this horrible man \$80,000 to protect myself from civil litigation. I assume he hoped I would call him on the phone, ask him to reverse my termination and again agree to be a franchisee. But I was determined not to have any business relationship with such an individual and the receipt of his intimidation emails only fortified my conviction that getting as far away from him and his businesses as possible was the right decision.

14. In response to his intimidation emails, I wrote an email documenting what had occurred when I witnessed his companies' call recording and data collection crimes. I hoped that simply documenting what happened and what I knew would be enough to get him to back off and leave me alone. I chose to restrict my language to the language of documentation because I predicted that any language that said something like, "If you sue me, I will report you and your crimes to the authorities" would only have been greeted with the typical response of him claiming he was the victim of an extortion attempt. I was not trying to extort anyone. I was trying to get away from dangerous people and their involvement in crimes. He had defrauded me, but if he had left me alone, I would have quietly disappeared and gone on with the rest of my life.

SEE Attachment 8: “Documenting an unrelated matter”

15. But he did not leave me alone. On December 28, 2016, he filed a lawsuit against me in Dallas, Texas. In early January 2017, I was served by a man with a long beard who drove a station wagon. In New Hampshire where I lived at the time, lawsuits must be served by the police. But in my terror and due to my lack of experience, I had no idea at that time that the service wasn't legitimate. I had no idea that the invalid service was likely yet another indication of the CEO's attempt to terrify me and intimidate me into compliance.

16. Upon receipt of the service, I began calling attorneys in the Dallas, Texas area to respond to the lawsuit. Most attorneys told me they didn't want to represent me against a franchisor because the lawsuit would be too long, too aggressive, too expensive and too complicated and because it was very unlikely that I would win. They looked at the franchisor's legal counsel, a popular attorney who evidently had a reputation for being highly aggressive, and recognized I would need a litigator who was an aggressive opponent if I were to have any chance of protecting myself. They told me they would need at least \$30,000 to begin working on the case and that the case would likely cost much more.

Yet I was a divorced mother who had signed a franchise agreement because I was looking for a way to support my children. There was no way I could spare \$30,000 to fight off a predator when I still had no way to support my family. These circumstances might have brought some fraud victims crawling back to the franchise, but I had also already spent over 20 years of my life stuck in a horrible marriage and there was absolutely no way I was going to spend any time stuck in a contract with a man who committed fraud against me, who was committing crimes, and who wrote intimidation emails to divorced single mothers in order to take \$80,000 from them and their children. I was beyond done dealing with terrible people in life and would not consider rejoining the franchise just to make money. I had better prospects than that.

One of the Dallas law firms I contacted confirmed their knowledge of the “sliminess” of Sanford Rose Associates International and referred me to an aggressive Dallas litigator they felt would be a worthy opponent for the franchisor's choice of a popular and highly aggressive litigator whose name they recognized.

Upon calling the attorney they referred me to, he told me he would respond using an aggressive strategy to try to get the franchisor to drop the lawsuit before the April 30th, 2017 FDD completion deadline. That way, he argued, Sanford Rose Associates would not have to disclose their litigation against me or any of my counterclaims against them, including my counterclaims of fraud and my claims of franchisor involvement in call recording and privacy crimes. In January of 2017, I still did not know that FDD misrepresentations were part of Sanford Rose Associates' fraud strategy, so this attorney's strategy of getting them to back off so they wouldn't have to make honest disclosures in their FDD seemed logical. I felt that this was my best bet at saving the money I very desperately needed to support my children.

This attorney accepted an initial payment of only a few thousand dollars and we agreed he would use this money to actively aggress against Sanford Rose Associates International in an effort to get them to go away before the FDD deadline.

17. But as the April 30, 2017 FDD completion deadline rolled around, Sanford Rose Associates was not showing any sign of relenting in order to prevent themselves from having to disclose the litigation against me or my counterclaims in their 2017 FDD. Rather, we were in the midst of what I would call expensive aggressive volleying that was far easier for Sanford Rose Associates to afford than me. And interestingly, just as the CEO had threatened in his intimidation email, they called me to Dallas for a full-day deposition with a video camera on me. It was clear to me that they were trying to make the experience as miserable as possible so they could fulfill their threats to the letter.

This is the way criminal offenders behave.

Later, when I obtained a copy of the 2017 Sanford Rose Associates FDD, I discovered that Sanford Rose did not make any attempt to honestly disclose any of my counterclaims. Nor did they disclose my phone number should anyone want to talk to me about the litigation. Instead, they stated only that they sued me for “breach of contract and for non-payments of fees” and they only provided the business phone number that they had demanded (in writing) that I disconnect when they terminated my franchise.

SEE Attachment 3: SRAI 2017 FDD

I had counted on and paid for a legal strategy that was dependent upon the assumption that Sanford Rose Associates was honestly making FDD disclosures, but what I discovered instead was that they omitted material information about the litigation and did not provide future franchisees a legitimate way to contact me. And further, when I obtained a copy of the 2017 FDD, I found verbiage in item 3 of the 2017 FDD that should have been included in Item 3 of the 2016 FDD I received before I signed the franchise agreement. In their 2016 FDD, they had omitted information about litigation they were involved in prior to their FDD deadline of April 30, 2016 (that, for whatever reason, they didn’t choose to disclose until their FDD deadline of April 30, 2017). That misrepresentation influenced my decision to buy the franchise and is incontrovertible evidence of their fraud against me.

18. Accordingly, Sanford Rose Associates also omitted emails proving their call recording crimes in January of 2017 during their initial document production in the lawsuit. Before their omission, they had received my December 2016 email documenting what I knew about the crimes. And, of course, they knew themselves to be guilty of the call recording illegality because they were using it to increase their revenue. When I filed my counterclaim stating that I had refused to be complicit, they made an attempt to protect themselves by omitting material emails proving the illegality from their initial document production in the lawsuit.

I consider their omission of these material emails to be a direct confession. And fortunately, my attorney was able to get the CEO to inadvertently admitted the call recording crime in his deposition.

Perhaps, if I had been more financially well endowed and had not only been paying my attorney a few thousand dollars to aggress against the franchise in an effort to get them to drop the lawsuit before their 2017 FDD deadline, my attorney or his staff would have found the franchise's omission of the material emails proving their call recording and privacy crimes in the first weeks of the lawsuit. But, I was at too much a financial disadvantage — and Sanford Rose Associates knew it.

SEE Attachment 9: “Recorded marketing call(s)”

SEE Attachment 10: Janai_Amended Memorandum in Support of Summary Judgment for Illegality

19. Eventually, during the summer of 2017, when I could not get the officers of Sanford Rose Associates International to leave me alone, I knew I had to report their call recording crimes to the authorities. I did not want make a report because reporting criminal behavior is dangerous and can elicit retaliations. But since I was already dealing with extreme civil aggressions and since Sanford Rose Associates International wouldn't leave me alone, I reasoned that my position couldn't get much worse.

I called the Office of the Attorney General of New Hampshire and told them what I had witnessed. New Hampshire laws make recording phone calls without telling the other party a crime and in New Hampshire, that crime is considered to be very serious. The office asked me to make a police report before turning a formal written complaint into their office. I made the report to the police in my small New Hampshire town who were, of course, way out of their league. How were they supposed to respond to a woman describing a white collar crime occurring in Texas that was affecting businesses and citizens of New Hampshire? Then, after making the police report, I mailed my initial written complaint to the office of the Attorney General of New Hampshire. I also mailed complaints to all the offices of the attorneys general of all the states that had call recording laws that were being violated and thereafter made a habit of mailing these offices updates using the case numbers each office had provided me.

SEE Attachment 11: Janai_Initial Office of the Attorney General of New Hampshire Complaint

20. The Office of the Attorney General of New Hampshire responded to my complaint by sending letters to Sanford Rose Associates International and its parent and asking them to respond.

21. At that point, I received a call from my attorney. He told me that he had received a phone call from Sanford Rose Associates and its parent company's in-house counsel. My attorney told me that his sense was that the in-house counsel was afraid of telling the Sanford Rose CEO about the attorney general involvement. We both hoped this meant that Sanford Rose Associates and its parent company would respond to the attorney general by agreeing to stop committing the call recording crimes and would settle the lawsuit for some fair amount and leave me alone.

22. Time passed without a response. Sanford Rose Associates and its parent company missed the response deadline the office of the attorney general had given them. They left the discovery questions I had sent them unanswered. Our next court date was nearing. The office of the attorney general had send Sanford Roe Associates and its parent more letters to again request a response.

23. By October of 2017, I had given my attorney much of the cash I had desperately managed to get from my ex-husband during the divorce. One of my attorney's strategies was to save me money while costing Sanford Rose money in an attempt to get them to leave me alone. He was doing as little as possible for me while allowing them spend money filing motion after motion after motion. One of the motions they had filed was a no-evidence motion that, if successful, would expunge of all my counterclaims. That motion didn't make much sense to me or my attorney because the discovery period was not yet over and the deadline for Sanford Rose Associates to answer my discovery requests had not yet transpired.

On October 19th, 2017, my attorney went to court to present arguments that Sanford Rose Associates' no-evidence motion against me was premature. That morning before trial, he filed a motion to compel because Sanford Rose Associates was slow to answer my discovery requests that would have given me more evidence of their fraud and crimes. That day, the popular and aggressive lead attorney appeared in court himself for the first time. Previously he had only sent his assistant counsel from another law firm. I assume his presence in court had to do with the Attorney General of New Hampshire's involvement and as well as the fact that Sanford Rose Associates couldn't honestly answer my discoveries without giving me more evidence of their fraud and crimes. Sanford Rose Associates had to win that day in order to protect their business operations and their ability to collect revenue using illegalities.

And somehow, that day, even though Sanford Rose Associates had not yet answered their discoveries and even though the discovery period was not over, their popular and aggressive litigator was able to win his no-evidence motion against me.

That moment, for all intents and purposes, was the end of all of my counterclaims of fraud and of Sanford Rose Associates and it parent company's involvement in call recoding and privacy crimes. I lost on a no-evidence motion before the end of the discovery period even though I had a great deal of evidence without Sanford Rose Associates answering my discovery questions.

24. On or around October 23, 2017, after the October 19th hearing, I received a copy of Sanford Rose Associates and its parent company's response the Office of the Attorney General of New Hampshire. They had written it on October 16th, just three days before our October 19th court date. I assumed they had stalled answering the office so that I would not receive their response before they tried their no-evidence motion against me on October 19th.

The Office of the Attorney General of New Hampshire requested I send them evidence of the claims in my initial complaint in response to Sanford Rose Associates and its parent.

SEE Attachment 12: SRAI and KBIC Response to the Office of the Attorney General of New Hampshire

Sanford Rose Associates and its parent company's response was typical and predictable. They distanced their primary business, their parent company, from Sanford Rose Associates and blamed any criminal call recording on their franchisees and me. Of course they claimed that all the problems were my fault. "This is simply a case of buyer's remorse," they wrote. "Janai wanted to be an executive recruiter but simply was not up to the task."

Blaming franchisees for all problems is typical in the industry. Franchisors place themselves in a position to have all the power to make accusations regardless of validity. Franchisors intentionally shield themselves from liability by creating problems and then blaming the problems on their franchisees.

In reality, Sanford Rose Associates and its parent company were coordinating the recording of illegal phone calls and data collection scheme. In reality, Sanford Rose Associates had not provided me the services they promised me before I signed the agreement and that they stated they would give me in the FDD. In reality, Sanford Rose Associates was involved in a crime to which I refused to be complicit. In reality, I still wanted to be an executive recruiter in 2016, even after left the franchise.

Any system that gives a more powerful party the power to claim that any and all problems are the fault of a less powerful party is a system ripe for abuse, exploitation and the perpetration of crime.

Although Sanford Rose Associates and its parent company denied everything in their response to the office of the attorney general, a skilled criminal trial attorney would easily be able to take their document to a jury and prove that it was more a confession than a denial. I was not impressed and felt even more grateful that I was doing everything possible to get away from the franchise even though escaping from them was costing me all the cash that I so desperately needed to support my children.

25. Fortunately for me, I am educated. Although I did not have the financial resources to pay an attorney in Texas to compile evidence, I did have the skill to compile it myself. I found the

emails Sanford Rose Associates had omitted from their initial document production in January of 2017 in my own gmail inbox. I had probably printed them and sent them along with my own haphazard and disorganized document production at the beginning the lawsuit. Attached to the emails were audio recordings that were demonstrative examples of the franchise's parent company's widespread call recording and privacy crimes. I found other documentation proving their modus operandi. I compiled it all and sent the evidence of my claims back to the Office to the Attorney General of New Hampshire, proving that Sanford Rose Associates and its parent company's response to the attorney general was a lie. Those documents are held by the Office of the Attorney General of New Hampshire [REDACTED].

26. By around January of 2018, my attorney was not only representing me, but he was sure I was right and was very much personally rooting for me. I was nearing the end of my cash savings, but he was angry about what was happening and the injustice of the system. He knew Sanford Rose Associates was truly guilty of all the things I had accused them of in my counterclaims and he continued to fight even though I could no longer pay him.

Over the next months, he asked for multiple reconsiderations. We discovered new evidence and amended my counterclaims to try to show the judge that there were issues that hadn't been expunged when he had ruled in favor of Sanford Rose's no-evidence motion on October 19h, 2017. But it was all to no avail. The judge would hear none of it. I lost and lost and lost again. Sanford Rose Associates never truly answered discoveries and I never received a chance to present the evidence I did have to the court.

27. By January of 2018, I decided that I should also report Sanford Rose Associates and its parent company the Federal Trade Commission. I made a long written report about both the franchise fraud and the call recording crimes. That report was dated January 2, 2018 and is held at the FTC under reference no. [REDACTED].

The call recording and privacy crimes ought to have been of importance to the FTC in their own right. Sanford Rose Associates, its parent company and likely many other executive search firms were, in 2016, systematically illegally recording phone calls of corporations and individuals across the United States and internationally and were using those call recordings to collect and sell valuable data. I was both the victim of egregious fraud and witness to a crime that should have been of great import to the FTC.

But the FTC did nothing. In fact, the letter I received in response to my long detailed report full of evidence demonstrated that the FTC hadn't even categorized my complaint correctly. The FTC told me that "Under the Business Opportunity Rule (the Rule) sellers have to give you a one-page disclosure document that offers five key pieces of information" and then listed five things that had nothing to do with FDDs or franchising.

There I was, under aggressive litigious attack, having witnessed and reported major fraud and crime to the agency that created the Franchise Rule and set up the system the franchisors used to

exploit to defraud me, and when I spent the time to document what was happening, the FTC apparently was not even able to recognize that I was making a franchise complaint — not a business opportunity complaint.

SEE Attachment 13: January 25 2018 FTC Business Opportunity Form Letter

28. On March 23, of 2018, the Office of the Attorney General of New Hampshire wrote to tell me that they were referring the matter onto the US Attorney in Plano, Texas where Sanford Rose and its parent company are principally located. I heard nothing from the US Attorney's office for many months and when I eventually called them to follow up, I was told that the matter had been lost or set aside. They then looked at evidence I had compiled and stated that the problem was not in their jurisdiction because a federal crime had not been committed. And they said that even if it were, it might be better handled in New Hampshire than in Texas. Their basic message was that they didn't have time or resources and had so many cases on their plate that there was nothing they could do.

Yet I was a citizen who was refusing be complicit to major crime and was on the receiving end of civil litigation that was being used to cover up that crime. How was I supposed to manage the problem myself when our government institutions couldn't handle it?

SEE Attachment 14: US Attorney Referral

29. In August of 2018, I lost my civil case in Texas, having never recovered after losing when the head attorney with the reputation for being popular and highly litigious first attended court personally on October 19, 2017 to argue a premature no-evidence motion while the Office of the Attorney General of New Hampshire was looking into my claims.

I never had a chance to appear in court or talk to a judge. I was defeated by my lack of money, the aggressions of a franchisor, and a popular, well-known civil attorney who was willing to help his clients get away with their fraud and other illegalities. I owed Sanford Rose Associates \$363,000. The CEO had stood true to his threat: he had sued me to bankruptcy.

30. My good attorney was undaunted, however. He agreed to appeal the case for me even though I could not pay him. Later, after I lost my appeal, he even sent a petition for review to the Supreme Court of Texas asking them to only look at the one technical matter he felt was so obvious that it could not reasonably be denied: the fact that Sanford Rose Associates hadn't filed their business opportunity exemption form.

But in August of this year, 2020, the Supreme Court of Texas denied my petition for review. I had come to the end of the road.

My attorney said a couple things that I think are significant. After the appellate hearing he said, "I think Sanford Rose Associates won because that panel liked Attorney _____," and he said he thought they won because "they didn't understand franchising." The FTC might have all sorts of

rules and regulations that franchisors are expected to follow, but if those rules and regulations are not understood or enforced in state courts where offending franchisors are aggressing against franchisees, they're worth less than the paper they're written on.

31. In early 2019, Sanford Rose domesticated my debt of \$363,0000 to the State of Massachusetts where I am currently living. I couldn't pay an attorney to represent me, of course, but I took the opportunity to better document Sanford Rose and its parent company's call recording crimes because it was Massachusetts law, not Texas law that was being broken.

I represented myself pro se, wrote my own pleadings and stood in Superior Court to try to make an argument that Massachusetts courts shouldn't give full faith and credit to Texas courts because the Texas courts were allowing Texas corporations to break Massachusetts criminal statutes. But, predictably, my pro se full faith and credit arguments got nowhere.

I did, however, create detailed written documentation of the crimes in the format of filed court pleadings which I can distribute without fear of more retaliations.

SEE Attachment 10: Janai_Amended Memorandum in Support of Summary Judgment for Illegality

Conclusion: Where I am Now

This brings me to today. I must now decide whether or not to declare bankruptcy like so many defrauded franchisees before me. I keep a website called Stop Franchise Fraud and I host a podcast called What We Know Pod. I plan to tell this story and keep telling it because I think the world needs to listen. I have spoken to many other franchisees in the last few years who lost everything. Claims that there are a few unscrupulous franchisors who act like my franchisor are false. The problems demonstrated by my case are endemic. My April 8, 2019 article called "Franchise Grade Numbers Reveal Industry Crisis" demonstrates that we're talking about very significant financial loss to franchisees everywhere (SEE Attachment 1: Janai_"Franchise Grade Numbers Reveal Industry Crisis - Stop Franchise Fraud").

My podcast co-host is a skilled trial attorney in Arizona with both criminal and civil experience. Franchise fraud is not our principal topic, but we address legal fictions and the ways large corporations exploit government systems. Franchising is one example of many such exploitations. And it is an important example because franchising is a major part of the world economy. Franchisors should be making legitimate money selling products and services to consumers and users, not through defrauding small business owners and churning franchise fees. The FDD does not work to prevent fraud. All it does is contribute to a system of legal fictions aggressive offending franchisors can intentionally use to exploit their victims.

As I consider what steps to take next, I have written but not yet mailed a Texas Bar complaint

against the franchisor's lead litigator and the other two attorneys who actively worked in this case (one being the franchisor's in-house attorney). Attorneys should be disbarred for helping their clients get away with crimes. Sadly, any bar complaint based only on these attorneys' involvement in helping their clients get away with franchise fraud would not have any teeth. Franchise attorneys across the United States are constantly helping their clients commit fraud because the FTC, in its breach of duty, has created a system that allows fraud to happen.

My bar complaint might only have real teeth because these attorneys *also* helped their clients get away with the call recording and privacy crimes. Not even criminal defense attorneys are allowed to represent clients as their clients continue in criminal behaviors, but somehow civil attorneys are allowed to collect fees for helping offending franchisors aggress against their franchisee victims. And civil attorneys are allowed to offending franchisors' victims even though the victims were defrauded into signing the dangerous agreements when the offending franchisors made FDD misrepresentations. In my case, the franchisor's lead attorney and his assistant collected \$214,797 in franchise fees to aggress against me in the lower court alone. And now, because of the contract I was defrauded into signing, I am expected to pay those attorney fees.

I now have a master's in psychology from Harvard. The behavior of the all offending franchisors and their many attorneys has a simple name: abuse. The FTC should not be supporting a system that allows attorneys to take in legal fees to help their clients enforce contracts that were signed after intentional misrepresentations in FTC-mandated documents.

I have told my story to several Texas attorneys. The option I am most commonly offered is the option to sue my own Texas attorney for malpractice in hopes that he has malpractice insurance. When attorneys hear this story, they initially assume that my attorney must have made a mistake somewhere. How could I lose a no-evidence motion before the end of the discovery period and without my opposition having yet answered discoveries? And how could I never get the opportunity to present the evidence I do have to the court? Perhaps my attorney didn't file the motion to compel soon enough, they hypothesize. Or perhaps it was his fault for relying an an affidavit for my protection. Perhaps I needed another affidavit. None of them really know how it happened, but they make a lot of guesses faulting my attorney.

All of these assumptions about what might have been my attorney's fault bring us back to a major problem with the current system. Attorneys know that judges have power to make decisions that don't make sense. Attorneys know that the franchisors have the money. Attorneys know that franchise agreements are written in the franchisors' favor. Attorneys know that the franchisors are very likely to win. And this all means that many attorneys will simply not represent under-funded franchisee clients because even when we have a good case, the decisions the attorneys make during complex and aggressive trials may later be held against them. Attorneys know they will likely lose and that if they do lose, one of their franchisee clients might sue them for malpractice.

Where does this situation put franchisee fraud victims? How are victims even supposed to get civil representation in an effort to protect their homes and life savings?

My attorney was not perfect, but he managed the case responsibly based on the many factors involved and the money I had. Trial is also an art and I believe my attorney knew that art. He was doing his best. I'm glad he took the case and helped me. He was up against attorneys who were aggressing to help their clients get away with fraud and crime. He proved his worth when he kept battling to try to get the judge to see that I had arguments that needed to be heard. He appealed in an attempt to protect me. He petitioned the Texas Supreme Court in an attempt to protect me.

I have no plans to sue the person who tried to help me in an effort to avoid bankruptcy. I don't do that kind of thing.

I support him and I am grateful to him. He deserves an award, not a lawsuit.

But I do believe that the franchisors' attorneys deserve to be sued. I believe they deserve to be sued for their actions helping their clients commit their privacy crimes and their fraud against me. But the Supreme Court of Texas has ruled to give the franchisor's attorneys almost absolute immunity. And the FTC sits idly by, pretending the minutia in the FDD actually prevents fraud in the real world. That fiction is a breach of the FTC's duty to me, to the franchise industry, to small business owners everywhere (franchised and non-franchised), and to the economy.

The Franchise Rule is cannot resolve the problems in franchising unless there also exists a very powerful enforcement system including stringent and commensurate punishments for offending franchisors. The FTC, not the legislature, should be creating and enforcing regulations that would resolve the problems the Fair Franchise Act of 2107 and the SBA Franchise Loan Transparency Act of 2019 were designed to resolve. Supporting franchisors in their fraud may have falsely boosted the economy for decades, but such support has come at great cost to families and children. And any economic boost that harms fair competition isn't an economic boost that will withstand the march of time.

I think we have a franchise bubble.

Below are 25 innovative ideas that, if applied, would revamp the industry. I understand, of course, that franchisors will spend money to convince the FTC that none of these ideas are possible because if the FTC were to implement them, the FTC would "destroy" the industry. The reality is that if the FTC implemented them, the FTC would make the industry fair and would end franchisors' ability to tap the personal assets of their franchisees to expand their businesses.

I cannot deny that ending offending franchisors' ability to tap their victims assets would end the industry as we know it. But the industry as we know it is not legitimate. It is founded on offending franchisors exploiting the hard-working Americans and immigrants who, if the

franchise industry did not exist, would own the small businesses that would be the backbone of our country and economy, By implementing measures that really work and that really make competition fair, the FTC will end the tyranny of franchising and empower the small mom-and-pop businesses that our country ought to depend on. By implementing measures that really work and ending the tyranny of franchising, the FTC has the opportunity to revamp the American dream and empower our best people to make our economy what it ought to be.

Right now, small non-franchised mom-and-pop businesses can't compete with the franchise industry because the franchise industry is illegitimately subsidized by the assets of fraud victims.

Change the status quo so the mom-and-pop businesses can actually compete.

Make competition fair again. Save our small businesses and our small business owners.

Proposed Solutions:

1. Don't regulate the industry at all so that prospective franchisees don't get the false idea that the FTC is overseeing the industry when in actuality FTC rules and regulations support fraud. Not regulating won't protect the economy or promote fair competition, but at least it will protect prospective franchisees from falsely believing that the FTC is preventing franchise fraud.
2. Hire a larger FTC team to support franchising so that you can actually read and appropriately respond to reports of fraud.
3. Require franchisors to pay third-party private companies to investigate FDDs to ensure the FDDs don't have misrepresentations. Require these third-party companies to keep records proving the FDD representations of their franchisor clients. Require them to make phone calls to ensure the former franchisees listed in the FDD are actually reachable. Require them to look for any litigation that might be omitted from FDDs. Allow them access to franchisor legal, accounting and tax records to ensure that there aren't errors and to ensure that the franchisors aren't hiding franchisees they've defrauded and collected franchise fees from in the past. Make these third-party companies jointly liable with franchisors for FDD misrepresentations. Fine these companies any time they are found to have not met their obligations.
4. Require franchisors to calculate and *prominently* disclose their own churn rate in their FDDs. Require the number to be obvious to prospective franchisees. The churn rate can be calculated as: (transfers + terminations + non-renewals + ceased operations) / the number of franchise units in any one franchisor's system. Make sure the third-party private companies who are validating the FDDs check and approve the calculations.

5. Force franchisors to account for exactly how each franchise fee they receive is spent in their FDDs. Ensure these numbers are validated by the third-party companies reviewing the FDDs. Regulate the manner in which franchise fees are allowed to be spent, restricting them to actually being spent on helping the franchisees start their businesses. Prohibit the use of franchise fees to pay for franchise sales, including prohibiting their use to pay broker fees.
6. Be aware that debates over technicalities are a red herring when most franchisees don't have the resources to represent themselves in court at all. It doesn't matter what the fine prints says when franchisors have the power to use threats of civil process to control their franchisees regardless.
7. Following the objectives of the Fair Franchise Act of 2017, regulate franchise agreements to make them fair for all parties. Prohibit the common ALL CAPS statements included in most franchise agreements. Prohibit integration clauses. Prohibit personal guarantees that allow offending franchisors access to their victims' assets. Prohibit forced arbitration clauses because franchisors almost always win in arbitration. Prohibit confidentiality and non-disparagement clauses. Require all franchisors to complete item 19.
8. Write regulations that make attorneys who help franchisors commit fraud personally liable for their actions. Create an internal protocol to report offending attorneys to their state bar associations. (Attorney accountability would likely end many of the problems very quickly.)
9. Discipline companies that sell and promote fraudulent franchisee satisfaction awards.
10. Create an online form on the FTC website that allows franchisees to anonymously submit information about misrepresentations, fraud and other matters without fear of their franchisors' discovering that they made disclosures and suing them in retaliation (to take their homes and life savings). Make the data collected through the form publicly available. Organize the information well so that prospective franchisees can easily find what they're looking for online.
11. Support the SBA in not guaranteeing franchise loans that were not written according to the SBA standard operating procedures, even if ending the fraudulently written loan guarantees might temporarily pop a bubble in the economy. Support the SBA in tightening its regulations to ensure that only franchisors that meet higher success requirements are put on the SBA loan directory.
12. Prosecute lenders and loan brokers who write fraudulent SBA loans against SBA standard operating procedures. Prosecute the franchisors that convinced the lenders and brokers to write the loans.
13. Protect veterans by ending all veteran support programs associated with franchising. Don't reinstate veteran franchisee support programs until the industry is cleaned up. The last people the

franchise industry should be defrauding en masse is veterans.

14. Support the IRS in ending all associations between the ROBS program and the franchise industry so offending franchisors can't target their victims' retirement accounts.

15. Require offending franchisors to pay fines that go to the franchisees they've defrauded.

16. Don't allow offending franchisors to influence regulations just for the sake of appeasing all parties. Look at the Franchise Grade numbers (SEE Attachment 1: Janai_ "Franchise Grade Numbers Reveal Industry Crisis - Stop Franchise Fraud").

Be aware of the fraud. *Allowing offending parties to influence FTC regulations is a breach of duty.* Offending franchisors are fighting for the right to access all of their investors' personal assets in order to support the expansion of their own businesses; these are not the people who should be influencing FTC regulations. Be aware of the way offending franchisors work to deceive and influence the FTC. Protect our families, our children, our economy and our small business owners instead of large corporations.

17. Empower law enforcement by taking action to ensure common franchise fraud strategies are considered criminal. Commit money to investigations of intimidation tactics in franchising. Allow prosecutors trained in RICO access to information about franchise fraud so that they can write and prosecute cases that will set a precedent for other RICO franchising cases. Open the way for good civil attorneys to help victims rather than for unscrupulous attorneys to help offenders.

18. Write regulations that make it clear that when current franchisees find misrepresentations in the FDDs they received before signing franchise agreements, they automatically win lawsuits no matter the charges. Do not leave this up to the states. Ensure that these regulations supersede verbiage written into franchise agreements so that franchisors know that the disclosure process is serious.

19. Write regulations and support legislation that would allow past franchisees who can prove they were defrauded the power to sue the franchisors who defrauded them. Ensure the statutes of limitations are extended to allow defrauded franchisees the time they need. Many past franchise fraud victims have had to declare bankruptcy and may not have access to the financial resources they would need to invest in attorney fees. Provide incentives for attorneys to take these cases on a contingent basis through ensuring there is some level of assurance that the fraud victims can win.

20. Prosecute offending franchisors and recover damages for their victims. Set an example of high-profile offender prosecutions to deter other franchisors from becoming offenders.

21. Send out letters to victims when you receive evidence of fraud from them. Make sure the letters are letters the victims can use in civil litigation. Right now, victims' attorneys advise them not to make FTC reports because when they do report and the FTC doesn't act, offending franchisors use the fact that the FTC didn't act against their victims in court.

22. Discard the notion that the FTC should never get involved in civil litigation. The Franchise Rule has created a system in which litigation itself is part of the fraud. The FTC has an obligation to fight fraud and fighting fraud may sometimes include prosecuting franchisors for engaging in fraudulent civil litigation.

23. Follow Australia's example and get involved in measures that would prevent parties with more money from having extreme advantages over parties with less money in civil litigation. The FTC is a powerful agency and has the power to play a role in resolving this problem. Unjust litigation prevents fair competition and harms the market. Thus, minimizing the impact of unjust litigation on business competition is within FTC purview.

24. Work with the SBA to provide business grant and loan programs for the once small business owners who had to declare bankruptcy after being defrauded in the franchise industry. These people are our nation's foundation. These are the people our nation should be supporting and now, because they were defrauded as a result of the FTC's breach of duty, they are lacking the money and credit necessary to build the small businesses our nation ought to be relying on.

25. Use press releases to inform Americans about what is really going on in the franchise industry. Franchisors use their control over media through the money they spend on advertising to suppress media reports on franchise fraud. Despite the major impact franchising has on small businesses and consequently our economy, the American people have very little awareness that franchise fraud is happening. A government organization may need to take the lead in order to ensure the public is informed.

Summary: Actually taking actions to resolve the fraud endemic in the franchise industry will likely have a short term negative impact on our economy. But at present, the franchise industry is strangling our small businesses. By actually taking some of these actions, resolving these problems and ending that strangulation, the FTC will support long term economic growth instead of harming the backbone of our society — our small business owners.

List of Attachments:

Attachment 1: Janai, A. (August 8, 2019). Franchise Grade Numbers Reveal Industry Crisis. *Stop Franchise Fraud*.

Attachment 2: Sanford Rose Associates International 2016 FDD

Attachment 3: Sanford Rose Associates International 2017 FDD

Attachment 4: Janai, A. (September 7, 2017). Attorney General Franchise Business Review Complaint 1.

Attachment 5: Janai, A. (October 23, 2017). Attorney General Franchise Business Review Complaint 2.

Attachment 6: Kaye, J. (December 9, 2016). 408 TRE, email communication.

Attachment 7: Kaye, J. (December 9, 2016). 408 TRE (For Settlement Purposes Only), email communication.

Attachment 8: Janai, A. (December 13, 2016). Documenting an Unrelated Matter, email communication.

Attachments 9: Schmidt, K. (September 26, 2016). Forwarded Marketing Calls, email communication.

Attachment 10: Janai, A. (March, 2019). Defendants' Amended Memorandum in Support of Defendants' Amended Cross-Motion for Summary Judgment for Illegality, MA Superior Court C.A. 18-3705.

Attachment 11: Janai, A. (September 5, 2017). Initial Office of the Attorney General of New Hampshire Complaint.

Attachment 12: Shapan, H. (October 16, 2017). SRAI and KBIC Response to the Office of the Attorney General of New Hampshire,

Attachment 13: FTC, (January 25, 2018). Business opportunity form letter.

Attachment 14: Office of the Attorney General of New Hampshire. (March 23, 2018). Referral to US Attorney in Plano, Texas.

Attachment 15: Janai, A. (December 13, 2020). Comment for the FTC Re: Public Workshop Examining Franchise Rule. (A pdf of this comment).