

Dear Sir,

The following is a brief account of events that have taken place between February 2004 and the present.

At the beginning of 2004, having performed extensive due diligence I purchased a [redacted] store from what appeared to be a reputable and well established franchise marketing company known as Franchise Developments. Provided to me as part of my purchase, was a disclosure document that has over the course of time proven to be fraudulent, both for it's deceitfully inflated profit and cost projections, and it's deliberate omission of previous store failures.

When I first looked at the franchise there were 4 stores, all of which appeared to be trading successfully, I began running my store in August of 2004. About 6 franchisees including myself began with the franchise at around the same time, and as we began to compare notes by October 2004, it became glaringly apparent that things where not as they should be.

Because of this several franchisees challenged the franchisors as to why costs such as the cost of goods sold and wages were no where near to what had been stated in the disclosure documentation, we were all given various and differing excuses as to the cause of this. In what could only be described as a knee-jerk reaction and an effort to increase profit margins, the franchisor did in this period increase our retail prices twice, much to the horror of the customers, many of whom ceased visiting the stores as a result.

Having gained no resolution to the situation several of the franchisees (myself included) served the franchisors with notices of dispute, and were forced seek resolution through mediation. This was all done on the advice of the ACCC whom we had contacted in an attempt to resolve the matter.

Three franchisees went to mediation, in each case the franchisors bought a lawyer and made no effort to actually mediate instead telling us that the figures used in the disclosure document were accurate and factual, but he declined to submit them for verification. Following the unsuccessful mediations the ACCC became involved; they apparently had several meetings with the franchisors resulting in the franchisor's showing a spreadsheet supposedly verifying the trading history of only one of the original stores (St Kilda), however apparently when the ACCC requested actual trading figures that had been submitted to the franchisor's accountant, the franchisor's responded by announcing through their lawyers, that the company had been sold.

The franchisor's had been busily working behind the scenes arranging to transfer ownership of the business, in September 2005 they advised franchisees were that the company had changed hands, at this time the ACCC announced that they would not be pursuing the matter any further.

In September 2005 control of the franchise was successfully transferred to [redacted] of [redacted]. This man was a long time associate of the former franchisor having been involved with the franchisor in various capacities in the business for a period in excess of 10 years.

Franchisees were immediately told that [REDACTED] had set up a new company, and that while it was unfortunate that there had been some troubles with the original franchisor, he had no responsibility for what had taken place in the past.

The new franchisor after a short period announced that he was engaging the services of consultants who would advise him on ways that the business could be improved. Needless to say we all felt perhaps this was a sincere effort to improve the business and that we would all finally get what we had expected from the beginning.

The consultants came around to all of the stores and surveyed some customers; the result of which we were told was that the franchisor would be increasing the price we paid for goods supplied exclusively through him because according to the survey a certain percentage of the customers apparently indicated that they would visit more regularly if the quality of the food offering was improved.

This in spite of the fact that the salads supplied to us were supposedly made fresh daily using top quality ingredients. However apart from a few minor differences in the goods supplied to the stores, the only noticeable difference was that our wholesale prices went up by almost 30%, this was supposedly offset by an 8% increase in our retail prices which served only to cost us in lost customer traffic.

When the inevitable happened and stores began to fall behind on both sales and subsequently payments to creditors, the franchisor would come in with an offer to relieve the franchisee of his store for a figure usually around \$30,000. The stores were originally purchased by franchisees for amounts of between \$250,000 to \$300,000.

In my case I began to write to the franchisor in May 2006, asking him to provide some assistance as I was falling behind more and more with creditors including the landlord, the franchisor refused to reply to my correspondence in writing offering only that he would negotiate with the landlord a payment schedule that would enable me to trade out of my difficulties when trading improved with the warmer weather.

To my knowledge the franchisor was in discussion with the landlord, however I received a phone call from my kitchen hand early on a Wednesday morning to say that we had been locked out of the store. I notified the franchisor immediately and he said he would take care of the matter, the next thing I knew I received notification from the franchisor's lawyer that I had breached the franchise agreement and unless I came up with \$28,000 in 7 days my agreement would be terminated.

This was a shock to me as I had successfully made agreements with all of my creditors that I would begin a payment schedule making instalment payments so as to pay them what I owed, and they in turn would continue to support me by supplying me with goods on a COD basis.

7 days later when I could not raise the money the franchisor demanded from me, he terminated my franchise agreement and told me to leave my store. He then told me that he would pay me \$30,000 for the equipment in my store, and \$1,900 for stock, and that if I agreed to this he would not pursue me for any other costs such as his legal fees etc. I was also told that I would have to sign a strict confidentiality agreement, the sole purpose of which was to silence me and prevent me from suing him in the

future. This I was told was a very good offer for me as I would find that the equipment would have a market value of approx \$14,000, if I chose to try and sell it myself.

In the two years following my forced exit from my store, the [REDACTED] directors have, through their solicitors gone to great lengths to silence all of the former franchisees by forcing them to sign a strict confidentiality document that also excludes franchisees from any future potential litigation. In doing so they can also manipulate the disclosure provisions within the franchise code and the information provided to future franchisees.

The Directors of [REDACTED] are to this date engaged in a campaign to bankrupt me, due to my refusing to sign the afore mentioned confidentiality document and legal waiver.

I have been greatly disadvantaged throughout all of this by the fact that I have had no access to legal representation and [REDACTED] has taken full advantage of this fact.

In spite of overwhelming supporting evidence the ACCC;

- Ignored or did not ask for evidence from franchisees. IE store trading figures, failed mediations & failed stores.
- Conducted meetings with franchisor but not with franchisees.
- Chose to believe franchisor instead of franchisees.
- Ignored warnings that the franchisor was attempting to sell the franchise.
- Stated that the franchise was a speculative purchase, in spite of the fact that the franchise was marketed as being proven.
- Stated that franchisees had varying levels of experience (this is why a franchise is supposed to be a safer investment and the whole purpose of training and the benefit supposedly of having an experienced franchisor)
- Said that the franchisor accused franchisees of not declaring all sales, and of taking goods from stores resulting in increased costs.
- Stated that in their opinion the matter was more contractual in nature.
- Admitted that they NEVER saw actual sales figures from the franchisor.
(Actual previous figures were provided by Prahran franchisee that showed franchisor was lying, however these were ignored)