

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in New Haven County, Connecticut. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Connecticut than in your own state.
2. [Financial Condition.](#) The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. [Mandatory Minimum Payments.](#) You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.
4. [Unregistered Trademark.](#) The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

which will depend on a variety of factors such as the size and location of your restaurant and overall anticipated demand.

- (8) You must purchase supplies for the restaurant. This estimate includes the cost of uniforms and smallwares, which include cooking, cleaning (cleaning products, chemicals, brushes) and serving (utensils).
- (9) Before the opening of your restaurant, you must obtain all necessary permits and licenses. The above estimate includes architectural fees, building permits, certificates of occupancy and certificates of health. This cost does not include impact or major facility fees that may be required to build your restaurant.
- (10) Upon your registration for the initial training program, you must pay to us \$5,000 per location to be spent on grand opening advertising.
- (11) This is an estimate of your other initial three-month start-up expenses, less income earned, not including any salary, finance costs, debt service, or reimbursements or other payments to you. These figures are just estimates, and we cannot guarantee that you will not have higher costs, or that you will ever achieve profitability. If you are not profitable or have low net cash flow (for example, because of low sales, high costs, or high debt service), you will need more additional funds. This estimate also includes initial employee recruitment, training and wages; legal and accounting fees (if any); other variable costs (e.g., ongoing electricity, telephone, heat, etc.); and general and administrative costs.

**YOUR ESTIMATED INITIAL INVESTMENT – AREA DEVELOPER:**

This chart is an estimate of the costs you will incur to open three franchised units under a Development Agreement:

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee	\$75,000 (Note 1)	Lump sum	On signing Development Agreement	Us
<u>Total Initial Investment for three restaurants (w/ Development Fee credited)</u>	<u>\$522,000 to \$1,468,500 (Approx.)</u>	<u>See above in this Item 7</u>	<u>See above in this Item 7</u>	<u>See above in this Item 7</u>
TOTAL	<del>\$75,000</del> <u>\$597,000 to \$1,543,500 (Approx.)</u>			

NO FEES ARE REFUNDABLE, ALL MUST BE PAID IN A LUMP SUM AS INCURRED AND WILL NOT BE FINANCED, UNLESS OTHERWISE STATED.

- (1) If you sign a Development Agreement to establish and operate multiple franchises, the development fee will be \$35,000 for the first restaurant to be developed and \$20,000 for

cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or referral fees), and adherence to pricing to the extent permitted by law.

We may permit or require you to provide online ordering or delivery off the premises of your restaurant, either directly or through a specified online or digital ordering and delivery platform (collectively “Delivery Service”). You must not provide any online ordering or delivery without our prior, written approval. If we permit or require you to provide online ordering or delivery, we have the right to require that it be conducted in accordance with the then-current delivery standards set out in our Manuals or as we may otherwise direct in writing. Those standards may include, for example, the specified Delivery Service, the requirement that such Delivery Service report sales directly to us, minimum delivery hours, acceptable methods of payment, product handling, packaging, and food safety standards, other customer service standards, and our specification of the minimum and maximum delivery area.

Before you open your restaurant, you must procure and then maintain at all times during the term of the Franchise Agreement, at your expense, comprehensive general liability insurance, property and casualty insurance, business interruption insurance, statutory workers’ compensation insurance, employer’s liability insurance, product liability insurance, and automobile insurance coverage for all vehicles used in connection with the operation of your restaurant. These insurance policies must name us as an additional named insured and must provide at least the types and minimum amounts of coverage as we may specify in the Manuals. We may change these insurance requirements, upon reasonable notice to you, to conform to prudent business practices. If you fail to obtain or maintain the insurance required, we will have the right and authority (but not the obligation) to procure and maintain the required insurance in your name and to charge you for it, which charges, together with a reasonable fee for our expenses in so acting, will be payable by you immediately upon notice. If you sign a Walmart Sublease with us, you will be required to obtain certain types of insurance and name us and Wal-Mart as additional insureds.

There are currently no approved suppliers in which any of our officers owns an interest.

We do not require you to do business with us or purchase supplies from us or from any designated source other than as we describe above. Under the FTC Rule and Compliance Guide, there is no requirement to disclose optional purchases.

How We Issue Supplier Approvals. We base our specifications and product and supplier approvals on our discretionary determination of quality, value and appearance. There are no written criteria for supplier approval. We must approve all of your supply sources in writing before their use. We may require suppliers to provide certain information, sign a non-disclosure agreement, guarantee our level of quality, and produce sufficient samples to allow us to test the sample at your expense. If you request us to approve a new supplier, there is no fee for supplier approval unless we require third-party testing, in which case you will pay the actual cost of the tests. We may issue specifications in the Manuals or directives, in writing or electronically, and we may modify them at any time. We will respond to a written request to approve a supplier within 60 days of its receipt. We may revoke our approval of a supplier, in our sole discretion, at any time.

You acknowledge in the Franchise Agreement that all of these are proprietary and are our trade secrets and that you will maintain their confidentiality. You must follow our security procedures, including you and any agent or employee who is allowed access signing any non-disclosure, and Intranet, Extranet, and Internet usage agreements that we require. You must promptly tell us when you learn about unauthorized use of our proprietary information. If we require you to modify or discontinue using the subject matter covered by a patent or copyright, you must do so.

**Item 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION**  
**OF THE FRANCHISE BUSINESS**

You or your designated manager who has completed our initial training program must devote full time and best efforts to the management and operation of the franchised business. You or your designated manager must be on the premises operating the restaurant during peak hours of restaurant operation as we specify in writing. We do not require that your designated manager maintain an equity interest in a franchisee entity. Each equity or voting owner who owns 5% or more of the franchised business must personally guarantee the Franchise Agreement, including confidentiality and non-competition covenants. A copy of the Guarantee is attached to the Franchise Agreement. All owners of an entity developer must personally guarantee the Development Agreement, including confidentiality and non-competition covenants. A copy of the Guarantee is attached to the Development Agreement. [Spouses of owners are not required to sign the Guarantee unless they are also owners.](#)

The restaurant must at all times be under the direct, on-premises supervision of an individual who has satisfactorily completed the training as we specify in writing. If you wish to change your designated manager, you must notify us of this fact, and we must approve it in writing. Your new designated manager must satisfactorily complete the training program at your expense.

You and your owners and managers must sign the confidentiality and non-compete agreements attached as Exhibit D to the Franchise Agreement (which is Exhibit A to this Disclosure Document); and, if you sign a Development Agreement, as Exhibit E to the Development Agreement (which is attached to this Disclosure Document as Exhibit B).

**Item 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

To maintain uniform quality standards, you must follow our directions concerning the services and products you provide. You are not limited in the customers to whom you may sell, except as to a multi-area marketing program. You may sell only those approved services and products consistent with the image and product line as have been expressly approved by us. You must sell all products and services we authorize. You must sell all menu items and other products at retail and not sell those products and merchandise at wholesale or for resale.

## EXHIBIT H

### STATE LAW ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT OF JAKE'S FRANCHISING, LLC

The following modifications are to the Jake's Franchising, LLC Franchise Disclosure Document and may supersede certain portions of the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ and the Development Agreement dated \_\_\_\_\_, 20\_\_\_\_.

These states have statutes which may supersede the Franchise Agreements in your relationship with us including the areas of termination and renewal of your franchise. The following is applicable to you only if you are covered by the franchise law of the referenced state: ARKANSAS (Stat. Section 70-807); CALIFORNIA (Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Gen. Stat. Section 42-133e et seq.), DELAWARE (Code tit. 6, Ch. 25, Sections 2551-2556), HAWAII (Rev.Stat. Section 482E-1), ILLINOIS (815 ILCS 705/1-44), INDIANA (Stat. Section 23-2-2.7 and 23-2-2.5), IOWA (Code Sections 523H.1-523H.17), MARYLAND (Maryland Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2010 Repl. Vol. and Supp. 2010)), MICHIGAN (Stat. Section 19.854 (27)), MINNESOTA (stat. Section 80C.14), MISSISSIPPI (Code Section 75-24-51), MISSOURI (stat. Section 407.400), NEBRASKA (Rev. Stat. Section 87-401), NEW JERSEY (Stat. Section 56.10-1), NORTH DAKOTA (N.D.C.C. Franchise Investment Law Section 51-19), RHODE ISLAND [Code 19-28.1-14], SOUTH DAKOTA (Codified Laws Section 37-5B), VIRGINIA (§§ 13.1-557 through 13.1-574 of the Code of Virginia), WASHINGTON (Code Section 19.100.180), WISCONSIN (Stat. Section 135.03). These and other states may have court decisions that may supersede the Franchise Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise.

The following is applicable to you only if you are covered by the franchise law of the referenced state:

#### **CALIFORNIA**

~~———— The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.~~

~~———— Neither we, nor any person or franchise broker disclosed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.~~

~~———— California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.~~

~~— The Franchise Agreement and Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec 101 et seq.).~~

~~— The Franchise Agreement and Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.~~

~~— The Franchise Agreement and Development Agreement require application of the law of Connecticut. This provision may not be enforceable under California law.~~

~~— Section 31125 of the California Corporation Code requires us to give you a disclosure document, in the form and containing the information as the Commissioner may by rule or order require, before we ask you to consider a proposed material modification of your franchise agreement.~~

~~— Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.~~

~~— The Franchise Agreement and Development Agreement require you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).~~

~~— OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).~~

## HAWAII

Based upon our financial condition, the Hawaii Department of Commerce and Consumer Affairs has imposed a fee deferral requirement. Accordingly, Item 5 of the Disclosure Document, Section 4 of the Franchise Agreement, and Article IV of the Sublease Agreement are amended to provide that all initial fees are paid when any initial pre-opening obligations to you are complete and the franchised restaurant is open for business. Section 2 of the Development Agreement is amended to provide that the portion of initial fees attributable to each Restaurant shall be payable

upon Developer's opening of such Restaurant for business and when Franchisor has provided its pre-opening obligations under the Franchise Agreement for such Restaurant.

## **ILLINOIS**

1. [The following risk factor is added to the "Special Risks to Consider About This Franchise" page:](#)

**Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.

2. ~~1.~~ Based upon our financial condition, the Illinois Attorney General's Office has imposed a fee deferral requirement. Accordingly, Item 5 of the Disclosure Document, Section 4 of the Franchise Agreement, and Article IV of the Sublease Agreement are amended to provide that all initial fees are paid when any initial pre-opening obligations to you are complete and the franchised restaurant is open for business. Section 2 of the Development Agreement is amended to provide that the portion of initial fees attributable to each Restaurant shall be payable upon Developer's opening of such Restaurant for business and when Franchisor has provided its pre-opening obligations under the Franchise Agreement for such Restaurant.
3. ~~2.~~ Illinois law governs the Franchise Agreement(s).
4. ~~3.~~ In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
5. ~~4.~~ Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
6. ~~5.~~ In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

## **MARYLAND**

Based upon our financial condition, the Maryland Securities Commissioner has imposed a fee deferral requirement. Accordingly, Item 5 of the Disclosure Document, Section 4 of the Franchise Agreement, Section 2 of the Development Agreement, and Article IV of the Sublease Agreement are amended to provide that all initial fees are paid when any initial pre-opening obligations to you are complete and the first franchised restaurant is open for business.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of the assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

**ESCROW REQUIREMENTS (IF ANY):** \_\_\_\_\_

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Building, 1st Floor  
Lansing, Michigan 48933-1067  
Telephone Number: (517) 373-7117

## **MINNESOTA**

Based upon our financial condition, the Minnesota Department of Commerce has imposed a fee deferral requirement. Accordingly, Items 5 and 7 of the Disclosure Document, Section 4 of the Franchise Agreement, and Article IV of the Sublease Agreement are amended to provide that all initial fees are paid when any initial pre-opening obligations to you are complete and the franchised restaurant is open for business. Section 2 of the Development Agreement is amended to provide that the portion of initial fees attributable to each Restaurant shall be payable upon Developer's opening of such Restaurant for business and when Franchisor has provided its pre-opening obligations under the Franchise Agreement for such Restaurant.

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or

## **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
<b>California</b>	<b>Pending</b>
Hawaii	<b>July 7, 2020</b>
Illinois	<del>Pending</del> <b><u>June 30, 2020</u></b>
Indiana	<b>June 29, 2020</b>
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	<b>July 15, 2020</b>
Rhode Island	<b>June 16, 2020</b>
South Dakota	<b>June 30, 2020</b>
Virginia	Pending
Washington	Pending
Wisconsin	<b>June 26, 2020</b>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.