

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

**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 Ohio. 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 Ohio than in your own state.
2. **Minimum Payments.** You must make minimum royalty, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
- ~~2.~~ **Supplier Control:** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices 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 franchise business.
3. **Start-Up Franchisor.** Franchisor is a new franchisor who does not have a long history of franchising.
- ~~3-4.~~ **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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.

**Dollars (\$50,000)**, before the business opens. This fee is not refundable, except as stated above.

Installment Payments:

Installment payments are not available.

Deferral of Initial Franchise Fees in Minnesota: In the state of Minnesota, the payment of the Initial Franchise Fee from Franchisee to Franchisor shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and the Franchisee has commenced business operations. The Minnesota Department of Commerce has imposed this deferral requirement due to Franchisor's financial condition.

**Item 6:  
Other Fees**

| <b>Type of Fee</b>           | <b>Amount</b>   | <b>Due Date</b>  | <b>Remarks</b>  |
|------------------------------|---|--|---|
| Continuing Franchise Royalty | 8% of Net Sales, but not less than \$500 per Week (Note 2)  | Weekly, Payments will be drawn via ACH on each Wednesday for the prior Monday through Sunday. (Note 2) | Net sales include all revenue from the franchise location actually received by Franchisee, minus sales tax, comps, and voids. Not refundable. |
| Advertising (Note 3)         | 2% of Net Sales, but not less than \$125 per Week (An additional 1% of Net Sales shall be spent on advertising within Franchisee's market.) Franchisor has the right to increase the ad fund to 4% upon written notice. | Drawn on the same basis as Continuing Franchise Royalty. (Note 2)                                      | Net sales include all revenue from the franchise location actually received by Franchisee, minus sales tax, comps, and voids. Not refundable. |
| Transfer Fee (Note 4)        | \$3,000 if transfer is to an existing Little Diggers franchisee or \$5,000 if transfer is to a non-affiliated third   | Prior to consummation of transfer  | Payable when you sell your franchise. Not refundable.   |

|  |                              |             |             |                                     |
|--|------------------------------|-------------|-------------|-------------------------------------|
| Cameras  |                              |             |             |                                     |
| Additional Funds for 3 Months of Operating Expenses (Note 7) | \$15,000 - \$30,000          | As incurred | As incurred | Employees, vendors, utilities, etc. |
| <b>TOTAL (Note 8)</b>  | <b>\$216,600 – \$482,150</b> |             |             |                                     |

**Notes:**

Note 1. The franchise fee for your first franchise will be \$50,000. This amount will also be the initial franchise fee for each additional franchise. A portion of the franchise fee may be refundable if the franchise agreement is terminated early due to your failure to open the Facility within twelve (12) months. See Item 5 for more information.

Deferral of Initial Franchise Fees in Minnesota: In the state of Minnesota, the payment of the Initial Franchise Fee from Franchisee to Franchisor shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and the Franchisee has commenced business operations. The Minnesota Department of Commerce has imposed this deferral requirement due to Franchisor's financial condition.

Note 2. You must secure suitable real estate for your Facility. Typical locations for traditional Little Diggers Facilities are 3,900 to 4,100 square feet. Normally, the real estate is leased. The amounts indicated assume that real estate is leased and reflect a typical range of monthly rentals. The amount of your rent is dependent upon factors such as size, condition, market prices, and location. Neither Franchisor, nor its affiliates if any, will lease real estate to you. However, you may be required to engage a real estate broker or construction management company that is an approved vendor of the franchise. The amount of rent, the time at which the rent is due and to whom the rent is paid is subject to negotiation by you and the landlord. Security deposits are payable to landlords and utility companies. We will review your lease to make sure that it is suitable for Franchisor. We will not review your lease on your behalf. You are encouraged to retain a real estate attorney to represent your interests for lease review and negotiation.

Note 3. The opening costs listed in this Item 7 do not include the offset in potential income that many franchisees receive in the form of tenant improvement credits from commercial landlords. The amount of the expense for your leasehold improvements will vary depending upon the existing condition of the real estate, including but not limited to, whether demolition is required, whether additional plumbing or electrical work is required, the status of the HVAC system, and any additional requirements of governmental entities. Typically, the more money a tenant receives in tenant improvement credits, the more expensive the rent will be over the course of the Lease term.

Note 4. You must maintain the following insurance coverage: workers' compensation and occupational disease; general liability, including products liability; with a limit of not less than \$1,000,000 per occurrence, and non-owned and hired auto liability with a limit of not less than \$1,000,000 per occurrence. Franchisor must be listed as an additional insured on all policies. If you fail to obtain the required insurance, Franchisor may purchase the insurance on your behalf and charge you for it. Franchisor may increase the minimum required amounts of insurance in the

**MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT**

1. Article 8 is amended to add the following:

“We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.”

2. Articles 2.6 and 14.5 each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Minnesota Franchise Law.

3. Article 15 is amended to add the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that a franchisee be given 90 days’ notice in advance of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of the Franchise Agreement.

4. Article 17.10 is amended as follows:

Pursuant to Minn. Stat. § 80C.17, Subd. 5, the parties agree that no civil action pertaining to a violation of a franchise rule or statute can be commenced more than three years after the cause of action accrues.

5. Articles 17.8, and 17.9 are each amended to add the following:

Minn. Stat. Sec. 80C.2 1 and Minn. Rule 2860.4400J prohibit us from requiring litigation or mediation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Under this statute and rule, franchisor cannot require you to consent to injunction relief; however, franchisor may seek injunctive relief from the Court.

6. Article 17.10 is amended to add the following:

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

7. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum to the Agreement.

7.8. Minnesota Rule 2860.4400(K) prohibits a franchisor from requiring a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Minnesota Addendum to the Franchise Agreement on the same day as the Franchise Agreement was executed.

**LITTLE DIGGERS FRANCHISING, LLC**  
**an Ohio Limited Liability Company,**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_