Special Risks to Consider About *This* Franchise

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

1. **<u>Out-of-State Dispute Resolution</u>.** The franchise agreement and development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in New Jersey. 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 New Jersey than in your own state.

2. **<u>Sales Performance Requirement</u>.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.

3. **<u>Spousal Liability.</u>** Your spouse may be required to sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

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

5. <u>**Turnover Rate**. During the last 3 years, a high percentage of franchised outlets (more than 30%) were terminated, not renewed, re-acquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.</u>

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.