

## 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 Pennsylvania. 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 Pennsylvania 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, advertising, 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.
4. **Turnover Rate.** During the last 3 years, a high percentage of franchised outlets (more than 21%) ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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.

charged by us in the then current Franchise Agreement if you transfer to a third party. If you buy the franchise as an individual and want to transfer it to a newly formed business entity which you control, if we approve the transfer we charge you \$500 to cover our expenses related to the transfer. There are other conditions for approval of transfers. If You pursue but do not complete a transfer which has caused us to incur costs and expenses in reviewing and documenting the proposed transfer, you must reimburse us for these costs and expenses.

**Note 6. Supplier Approval.** We reserve the right to charge you a fee for reviewing a proposed supplier of any goods to be used in connection with the franchise. If we determine that it is necessary to inspect the supplier's facilities or conduct tests, we will require you or the supplier to pay us our actual costs incurred for this inspection and testing.

**Note 7. Audit.** If we audit your business and find that you have under-reported Gross Revenues by 5% or more, or if you fail to properly maintain the insurance requirements outlined in the Agreement, or if you fail to meet the minimum local or national advertising requirements outlined in the Franchise Agreement, or the audit is caused by your failure to provide certain supporting records, etc., to us, then you will be required to pay a Non-Compliance Fee and the cost of the audit. You will also be required to pay interest on past due amounts. (See Note 3 above)

**Note 8. Indemnification.** You are solely responsible for and must indemnify and hold us harmless for all loss, damage, claims or demands arising in connection with your operation of the Franchised Business.

**Note 9. Liquidated Damages.** If Franchise Agreement is terminated as a result of your default, you must pay us a lump sum amount equal to the value of the Royalty Service Fees and Marketing Fund Fees that you would have paid for the remainder of the Franchise Agreement, calculated based on the Franchised Business' average monthly Gross Revenues for the 12 months preceding the termination date. If you have not operated your Franchised Business for at least 12 months preceding the termination date, Royalty Service Fees and Marketing Fund Fees will be calculated based on the average monthly Gross Sales of all of our franchised businesses during our last fiscal year.

**Note 10. Conference.** We may conduct a national or regional conference ("Conference"), at our option, but not more than once a year. You are required to attend the Conference, and to pay all of your expenses incurred in connection with attending the Conference including transportation cost, meals, lodging and living expenses. We have the right to charge you a reasonable Conference Registration Fee (currently up to \$500.00) for you to attend each Conference. We may charge this Registration Fee up to one year in advance invoiced and paid via Electronic Funds Transfer as part of your standard monthly billing. The Conference Registration Fee is not refundable and will be collected even if you do not attend the Conference. We will try to make available all of the substantive materials that are presented at the Conference through the Internet or otherwise.

**Note 11. Fee Increases.** [We reserve the right to adjust the following Fees and requirements annually based on a change in circumstance such as increased costs from the vendor, labor cost or other activity which affects the cost of providing this service: Technician Services, On-site Contract Management and Conference.](#)

All of the fees listed are imposed by and payable to us, or our affiliates. All fees are nonrefundable.

We estimate that your legal and accounting fees will be \$1,000 to \$3,000. Legal fees will be paid by you, if appropriate, to retain an attorney to help establish a legal entity for the Franchised Business. You will also need to retain an accounting or payroll service to assist in keeping necessary books and records of income and expenses.

**Note 8. Vehicle Lease Payments.**

You must either purchase or lease a suitable work truck to properly operate the Franchised Business. We estimate that the cost of a new truck that meets these requirements would be approximately \$70,000 or lease costs for first three months of \$3,000. With acceptable credit, a suitable truck may be leased for approximately \$1,000 per month.

**Note 9. Office Equipment & Furniture.**

We estimate that your office equipment and furniture expenses will be \$400 to \$1,600. This equipment will consist of computer/printer/scanner/copier machine and cellular telephone.

**Note 10. Office Supplies.**

We estimate the cost of your office supplies to be \$100 to \$300. These office supplies will consist of pens, paper, stapler, rubber bands, scotch tape, scissors, etc.

**Note 11. Insurance Deposit**

We estimate that the insurance deposit will be 25% to 50% of the first year's premium, or \$750 to \$1,200. This coverage includes general liability, auto coverage, fire, workmen's compensation, theft, property and contents.

**Note 12. Permits, Licenses and Fees.**

We estimate that your permits, licenses and fees will typically range from \$300 to \$600. You may need several business licenses to operate the Franchised Business. The costs of these business licenses will vary from location to location.

**Note 13. Local Advertising Expenditures.**

You must advertise in the local golf course superintendent newsletters and attend local trade shows. We estimate your annual required local advertising expenditure will be between \$400 and \$1,000. Some of this may be spent during your initial operating period.

**Note 14. Real Estate.**

We do not estimate any real estate costs. ~~They vary dramatically based on numerous factors.~~ We presume you will operate the business office of your Franchised Business from your home and if necessary, rent a storage facility to store equipment.

**Note 15. Additional Funds (Working Capital).**

The estimate of additional funds is based on an owner-operated business and does not include any allowance for an owner's salary. This amount is based upon our affiliate's experience and our prior experience operating similar businesses. The estimate of \$2,000 to \$20,000 is for the first 3 months of business operations. We estimate that, in general, you may expect to put additional cash into the business during at least the first 3 months and sometimes longer. See Item 6 for an explanation of how Royalty Service Fees and Marketing Fund contributions are calculated and paid.

**Item 8**

**ADDENDUM TO THE  
FRANCHISE DISCLOSURE DOCUMENT FOR  
DRYJECT MANAGEMENT, LLC**

**STATE OF MINNESOTA**

1. [Item 5 “Initial Fee” is amended by the addition of the following paragraph:](#)

[“All initial fees and payments shall be deferred until such time as the franchisor has fulfilled its initial pre-opening obligations and the franchise is open for business.”](#)

2. [Item 13 is amended to add the following:](#)

DRYJECT MANAGEMENT, LLC will protect your right to use the DryJect® Mark and Trade Name or will indemnify you against any loss, costs, or expenses arising out of any claim, suit, or demand regarding your use of the Marks or Trade Name.

2. [Item 17, summary column for \(c\) is amended to add the following:](#)

Any release signed as a condition of renewal will not apply to any claims you may have under the Minnesota Franchise Act.

3. [Item 17, summary column for \(f\) is amended to add the following:](#)

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of the franchise agreement and that consent to transfer of the franchise will not be unreasonably withheld.

4. [Item 17, summary column for \(m\) is amended to add the following:](#)

Any release signed as a condition of transfer will not apply to any claims you may have under the Minnesota Franchise Act.

5. [Item 17, summary columns for \(v\) and \(w\) are amended to add the following:](#)

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Disclosure Document or 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.

**CALIFORNIA RIDER TO THE  
DRYJECT MANAGEMENT, LLC  
FRANCHISE AGREEMENT**

The Franchise Agreement is modified as follows: part of the Agreement. This Rider is being executed because the Licensed Business to be operated by you pursuant to the Agreement will be located in the State of California and/or because you are a resident of the State of California.

1. Deferral of Initial Fees. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.
  
12. Termination/Non-renewal of Agreement by Franchisor. The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchise owner concerning termination or non-renewal for a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, California law will control. Section 32 of the Agreement may not be enforceable under federal bankruptcy law.
  
23. Rights and Obligations upon Termination or Expiration. Section 35 contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
  
34. Choice of Law. Section 48 requires application of the law of the State of Pennsylvania. This provision may not be enforceable under California law.
  
45. Material Modification. California Corporations Code, Section 31125 requires the franchisor to give the franchise owner a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

DRYJECT MANAGEMENT, LLC  
By: \_\_\_\_\_

FRANCHISE OWNER  
By: \_\_\_\_\_

**AMENDMENT TO DRYJECT MANAGEMENT, LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA**

**THIS RIDER** (the “**Rider**”) is effective as of \_\_\_\_\_, 20\_\_ (the “Agreement Date”), and amends the Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Agreement”), between DRYJECT MANAGEMENT, LLC (hereinafter referred to as “DryJect” or “Company”), with its principal office at 307 Lincoln Ave., Hatboro, PA 19040 and \_\_\_\_\_ (“Franchise Owner”), whose mailing address is \_\_\_\_\_.

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.
2. **Renewal.** Sub-section 6-(f) of the Agreement is amended by deleting that Subsection in its entirety.
3. **Deferral of Initial Fees.** [Sections 7\(a\) and 7\(b\) of the Franchise Agreement is amended by adding the following: All initial franchise fees shall be deferred until such time as the franchisee is open for business.](#)

4. **Commencement of Operations.** Section 3 of the Agreement is amended by deleting the last sentence in its entirety and replacing it with the following:

“In the event Franchise Owner does not commence operating the Franchised Business within the time period set forth herein, this Agreement shall be deemed terminated, and the Initial Franchise Fee may be kept by the Company to reimburse itself for lost opportunity costs, costs and/or expenses.”

45. **Termination.** Section 32 of the Agreement is amended to add the following:

With respect to franchises governed by Minnesota Law, DryJect® will comply with Minn. Stat. Sec. 80c.14, subds. 3, 4, and 5, which require, except in certain specified cases, that Franchise Owner be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

56. **Marks.** Section 19 of the Agreement entitled “Marks” shall be supplemented by the addition of the following language:

“DryJect will protect Franchise Owner’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify Franchise Owner from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.”

67. **Waiver of Rights and Injunctive Relief.** Under Minn. Rule 2860.4400J, the Agreement is amended to include that it shall be unfair and inequitable for any person to require a franchisee to waive his or her rights to a jury trial or waive rights to any procedure, forum, or remedies provided by the laws of the jurisdiction, or to consent to liquidated damages, termination procedures, or judgment notes; provided that the foregoing shall not bar an exclusive arbitration clause. Under Minn. Rule 2860.4400J, a franchisee cannot waive any rights or consent to the franchisor obtaining injunctive relief (although the franchisor may seek injunctive relief). Each reference in the Agreement to the phrase “Franchise Owner consents that DryJect is entitled to injunctive relief” or words of similar import shall be deleted and the phrase “DryJect may seek injunctive relief” shall be inserted in its place.

78. **Jurisdiction.** The following is added to Section 48:

Minn. Stat. Sec. 80C.,21 and Minn. Rules 2860.4400J prohibit DryJect from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or franchise agreement can abrogate or reduce any of Franchise Owner’s rights as provided for in Minnesota Statutes, Chapter 80C, or Franchise Owner’s rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Intending to be bound, DryJect signs and delivers this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

89. **Limitation on Claims.** The following is added to Section 40:  
Minn. Stat. § 80C.17, subdivision 5 prohibits any action commencing section more than three years after the cause of action accrues.

Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of Minnesota law applicable to the provision are met independent of this Rider. This Rider shall have no force or effect if such jurisdictional requirements are not met. As to any state law described in this Rider that declares void or unenforceable any provision contained in the Agreement, DryJect reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action that Franchise Owner has initiated.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor,