

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 arbitration or litigation only in New York. Out-of- state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in New York than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty and advertising payments, regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
3. **Sales Performance Required.** You must maintain minimum sales performance requirements. If you fail to do so, you could lose the rights to your territory and it may result in termination of your franchise and loss of your investment.
4. **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.
5. **Turnover Rate.** During the last 3 years, a high percentage of franchised outlets (more than 30%) were terminated, reacquired by franchisor, 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.

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.