

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 and/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 payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
- 3) **Spousal Liability.** Your spouse must 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) **Turnover Rate.** In the last year, a high percentage of franchised outlets (more than 47%) 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.

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.