

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 and area development agreement require you to resolve disputes with the franchisor by arbitration or litigation only in California. Out of state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in California than in your home state.
2. **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.
3. **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.
4. **Unregistered Trademark.** [The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.](#)
5. **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.](#)
- 4-6. **Mandatory Minimum Payments.** You must make minimum royalty payments regardless of your sales levels. Your inability or failure to make the payments may result in the termination of your franchise agreement and loss of your investment.

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.

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

We will comply with Minnesota Statute Section 80C.14 subdivisions 3, 4 and 5 which require, except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 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 the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Item 5 of the Franchise Disclosure Document is hereby amended to include the following: “Due to the franchisor’s most recent financial statement, the State of Minnesota has required that we defer collection of initial franchise fees, and/or development fees, until we have completed our pre-opening obligations to the franchisee and the franchised business has opened.”

Minn. Rule Part 2869.4400(d) prohibits us from requiring that you assent to a general release as set forth in Item 17 of this Disclosure Document. Accordingly, the Sections of the Franchise Agreement regarding your obligation to execute a general release upon assignment or renewal are deleted in their entirety in accordance with Minnesota Rule Part 2860.4400(D).

Nothing in the Disclosure Document, Franchise Agreement or Development Agreement shall affect your rights under Minnesota Statute Section 80C.17, Subd. 5.

No statement, questionnaire, or acknowledgement 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.

Section 15 of the Franchise Agreement is hereby modified to add the following subsection after the last subsection therein:

Minnesota Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Minnesota law which provides Franchisee with certain termination and non-renewal rights. Minnesota Statute Section 80C.14, subdivisions 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days' notice for non-renewal of the Franchise Agreement.

Section 19(j) of the Franchise Agreement is hereby modified by adding the word “seek to” after the word “to” and before the word “obtain.”

Non-Sufficient Funds (NSF) fees are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

Section 19(f) of the Franchise Agreement is hereby modified by adding the following text as the last sentence thereof:

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 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 the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Section 19(k) of the Franchise Agreement is hereby modified by replacing all references of “one year” time limit to “three years” time limit to institute claims.

Nothing in the Franchise Agreement or Development Agreement is intended to abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C.