

## **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 the then-current county and state where our corporate headquarters is located (currently, Harris County, Texas). Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate and/or litigate with the franchisor in the then-current county and state where our corporate headquarters is located than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in the loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make these payments, may result in termination of your franchise and loss of your investment.
4. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.
5. **Spousal Liability.** [Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though 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.](#)
6. **Turnover Rate.** [In the last year, a high percentage of franchised outlets \(more than 22%\) were terminated or reacquired. 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.

Name of Fee	Amount	Date Due	Remarks
Renewal Fee	50% of our then-current Franchise Fee.	Prior to renewal.	See Item 17 for a further explanation of renewal conditions.
Information Technology and Online Content Fee	Currently \$750 per month.	Payable at the same time and in the same manner as you pay the Royalty Fee.	We may provide the System with ongoing website technology and marketing content, including, without limitation, creation and maintenance of an online, franchisee access only, training and information portal, training modules, website creation and maintenance, website hosting, development of video and other marketing materials and researching new technology to be used in operation of the Franchised Business, as we may determine from time to time in its sole discretion, in return for a fee which is currently \$750 per month. This fee is non-refundable and subject to change at any time in our sole discretion. <a href="#">provided under no circumstance will this fee be increased by more than 25% annually.</a> We may discontinue or modify the provision of any information technology platform or service at any time.

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Travel, lodging and meals for initial training (see Note 9)	\$3,000 to \$6,000	As arranged	As arranged	Airlines, hotels, and restaurants
Home generator for Franchisee (see Note 10)	\$0 to \$14,000	As arranged	Payment terms arranged with suppliers and your employees	Generac
Additional funds (for first 3 months) (see Note 11)	\$100,000 to \$220,000	As arranged	As arranged	Employees, suppliers, utilities
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	\$504,950 to \$898,250			

**Explanatory Notes to Item 7 Table:**

We do not impose or collect the fees or costs described in this Item, except for the items noted with “Us” in the column labeled “To Whom Payment is to be Made.” Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third party suppliers. Our estimates in this Item 7 are based on our current prototype for Generator Supercenter Businesses, our experience in developing and operating our parent and affiliate-owned Generator Supercenter Businesses, and our knowledge of business practices and conditions in the general marketplace. ~~They are, however, only estimates and by their nature may change from time to time and may vary from area to area.~~ The figures do not provide for your cash needs to cover financing incurred by you or your other expenses. You should not plan to draw income from the operation during the start-up and developmental stage of your business, the actual duration of which will vary materially from location to location and cannot be predicted by us for your Franchised Business (and which may extend for longer than the three month “initial period” described in Note 11 of this Item 7). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond.

**Note 1.** The Franchise Fee is fully earned upon receipt and is not refundable under any circumstances. None of the other expenditures in this table will be refundable. Neither we nor our parent or any affiliate finances any part of your initial investment, including the Franchise Fee. Please see Item 10 for additional details.

**Note 2.** Our estimates in this table assume you pay a security deposit equal to one-month rent, and that you begin paying rent when (or shortly before) you open for business. For this to occur, you would need to negotiate a “free rent” period for the time it takes to build out

<p><b><u>MICHIGAN</u></b></p> <p>Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913 (517) 373-7177</p> <p>Agent: Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909</p>	<p><b><u>MINNESOTA</u></b></p> <p>Minnesota Department of Commerce 85 7<sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328</p> <p>Agent: Minnesota Commissioner of Commerce</p>
<p><b><u>NEBRASKA</u></b></p> <p>Nebraska Department of Banking and Finance 1200 N Street P.O. Box 95006 Lincoln, Nebraska 68509-5006</p>	<p><b><u>NORTH CAROLINA</u></b></p> <p>Department of the Secretary of State PO Box 29622 Raleigh, NC 27626-0622</p>
<p><b><u>NEW YORK</u></b></p> <p>NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st FL New York, NY 10005 212-416-8222</p> <p>Agent: Secretary of State 99 Washington Avenue Albany, NY 12231</p>	<p><b><u>NORTH DAKOTA</u></b></p> <p>North Dakota <a href="#">Insurance &amp; Securities</a> Department 600 East Boulevard Avenue <del>State Capitol—Fifth Floor</del>, Dept. <a href="#">414401</a> Bismarck, <del>North Dakota ND</del> <a href="#">58505-0510</a> <del>(701)-328-47122910</del></p> <p>Agent: North Dakota <a href="#">Securities</a> <del>Department</del><a href="#">Insurance Commissioner</a></p>
<p><b><u>OREGON</u></b></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p> <p>Agent: Director of Oregon Department of Insurance and Finance</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Division of Securities Suite 232 233 Richmond Street Providence, Rhode Island 02903 (401) 222-3048</p> <p>Agent: Director of Rhode Island Department of Business Regulation</p>

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The following language is added to the end of Section 24.01(d) of the Agreement:

However, Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **Acknowledgements.**

The following language is added as a new Section 22.01(i) of the Agreement:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. **Representations.**

Sections 13.1, [13.2](#), 13.3, 13.4, 13.9 and 13.10 of the Agreement are hereby deleted.

The following statement on the signature page of the Agreement is hereby deleted:

FRANCHISEE ACKNOWLEDGES TO FRANCHISOR THAT FRANCHISEE HAS READ THIS FRANCHISE AGREEMENT AND UNDERSTANDS ITS TERMS AND FRANCHISEE WOULD NOT SIGN THIS FRANCHISE AGREEMENT IF FRANCHISEE DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

7. **Disclosure Questionnaire.**

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.

8. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURE PAGE FOLLOWS]

**AMENDMENT TO GENERATOR SUPERCENTER FRANCHISING, LLC  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

The Generator Supercenter Franchising, LLC Disclosure Document (the "Disclosure Document") and Franchise Agreement between \_\_\_\_\_ ("Franchisee") and Generator Supercenter Franchising, LLC, a Texas limited liability company ("Generator Supercenter"), dated \_\_\_\_\_, 20\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this "Amendment"):

**MINNESOTA LAW MODIFICATIONS**

1) The Minnesota Department of Commerce requires that certain provisions contained in franchise documents be amended to be consistent with the Minnesota Franchise Law, Minnesota Statute Chapter 80C, which regulates the sale of franchises to be located in Minnesota or to be sold to residents of Minnesota. Registration is required by the franchisor offering and selling the franchise. To the extent that the Disclosure Document and/or Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of Generator Supercenter that would violate the Act, or a rule or order under the Act. Minn. Rule 2860.4400D prohibits requiring a franchisee to assent to a general release. Any release of claims or acknowledgment of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Minnesota Franchises Act or a rule or order promulgated thereunder shall be void with respect to claims arising under the Minnesota Franchises Act.

b. The following language must amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections of the Franchise Disclosure Document and agreement(s):

"Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor 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 franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

c. The Minnesota Department of Commerce requires that Generator Supercenter indemnify you against liability to third parties for infringement resulting from your use of the trademarks licensed under the Agreement. Article 10 of the Agreement describes the circumstances under which Generator Supercenter will indemnify you against third party liability for trademark infringement. Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in Article 10 of the Agreement.

d. Sec. 80C.17, Subd. 5 of the Minnesota Franchises Act provides that no action may be commenced thereunder more than three (3) years after the cause of action accrues. To the extent that the Agreement conflicts with this law, the Minnesota law will control.

e. The Agreement contains certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of this Agreement and/or the Disclosure Document are inconsistent with respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly. Requirements imposed under the Minnesota Franchise Act will supersede inconsistent provisions contained in the Agreement.

f. Any section of the Agreement (pertaining to liquidated damages) is hereby deleted; provided, that such deletion shall not excuse you from liability for actual or other damages and the formula for assessing liquidated damages shall be admissible in any litigation or proceeding as evidence of actual damages.

g. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. To the extent that the Agreement conflicts with this law, the Minnesota law will control.

h. 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 with the franchise.

**i. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY**

**ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

2) Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of Minnesota law applicable to the provisions are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3) As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Agreement, Generator Supercenter reserves the right to challenge the enforceability of the state law.

4) All other provisions of the Agreement are hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

**AMENDMENT TO GENERATOR SUPERCENTER FRANCHISING, LLC  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

The Generator Supercenter Franchising, LLC Disclosure Document (the "Disclosure Document") and Franchise Agreement and Area Development Agreement between \_\_\_\_\_ ("Franchisee") and Generator Supercenter Franchising, LLC, a Texas limited liability company ("Generator Supercenter"), each dated \_\_\_\_\_, 20\_\_\_\_ (collectively, the "Agreements") shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreements (this "Amendment"):

**NORTH DAKOTA LAW MODIFICATIONS**

1. The North Dakota Securities Commissioner requires that certain provisions contained in Disclosure Document and Agreements be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (the "Act"). To the extent that the Disclosure Document and Agreements contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. Any release of claims under the Agreements required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Act.

b. Any provision of the Agreements requiring Franchisee to consent to the jurisdiction of courts in Texas will not apply to the extent prohibited by the Act.

c. Sections 18.2.3 and 18.3 of the Franchise Agreement and Sections 8.2.3 and 8.3 of the Area Development Agreement shall each be revised by adding the following as the last sentence thereof: "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

d. Any provision of the Agreements requiring it be governed by the laws of the State of Texas will not apply to the extent prohibited by the Act, and North Dakota law will control.

e. The provisions of the Agreements requiring mediation or arbitration to be conducted in a forum other than the State of North Dakota will not apply to the extent prohibited by the Act. Arbitration or mediation involving a franchise purchased in the State of North Dakota must be held in a location mutually agreed upon by the parties, and may not be remote from the Franchisee's place of business.

f. Liquidated damages and termination penalties under the Agreements will not apply to the extent prohibited by the Act.

g. Any provision of the Agreements requiring waiver of trial by jury, waiver of the federal statute know as RICO, or waiver of exemplary and punitive damages, shall be unenforceable with respect to claims under the Act.

~~h. Any provision of the Agreements requiring Franchisee to consent to a limitation of claims within a certain time period, shall be unenforceable, and the statute of limitations under North Dakota law shall apply.~~

~~i. Exhibit 5 of the Franchise Agreement, titled "Disclosure Questionnaire," is hereby deleted and shall have no force or effect.~~

~~2. Each provision of this Amendment shall be effectively only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.~~

~~IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Agreements on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.~~

**FRANCHISOR:**

**GENERATOR SUPERCENTER FRANCHISING, LLC,**  
a Texas limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_