

# Franchise Disclosure Document



FRANCHISE**NOW**

## **Attachment G – State Law**

### **Addendum for State-Specific Requirements**

#### **General**

These states have statutes which may supersede the franchise agreement in your relationship with Us including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, Tit. 6, Chap. 25, Section 2551 *et seq.*], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1 – 523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the franchise agreement in your relationship with Us including the areas of termination and renewal of your franchise.

Some states have statutes that limit Our ability to restrict your activity after the franchise agreement has ended. Other states have court decisions limiting Our ability to restrict your activity after the franchise agreement has ended.

A provision in the franchise agreement that terminates the franchise upon your bankruptcy may not be enforceable under Title 11, United States Code.

#### **California Addendum**

##### **(Applies only to California franchisees)**

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination and non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER, BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Neither We nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling the persons from membership in that association or exchange.

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER BY THE PERSON ACQUIRING A FRANCHISE OF CERTAIN RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF CERTAIN RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

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The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.)

The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must resolve disputes through binding arbitration. The arbitration will occur at Wayne, New Jersey, USA, with the costs of arbitration being borne equally by the parties. Each party will bear its own expenses, including attorney's fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. As long as this represents the law of the State of California, We will not interpret the Franchise Agreement as permitting or requiring maximum price limits.

If your Licensed Business will be in California, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

### **Hawaii Addendum**

#### **(Applies only to Hawaii franchisees)**

If your Licensed Business will be in Hawaii, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

### **Illinois Addendum**

#### **(Applies only to Illinois franchisees)**

The receipt and the Franchise Agreement are both amended to provide that We must provide the Franchise Disclosure Document to You at least fourteen calendar days before You sign any binding contract or give us any money.

The Illinois Franchise Disclosure Act, Section 4, prohibits any agreement that specifies jurisdiction or venue of any lawsuit in a place outside of the state of Illinois. The Act does permit agreements to require you to arbitrate outside the state of Illinois. The Act prohibits choice of law provisions that would require the application of any laws except the laws of the state of Illinois (Section 41). You cannot waive any of your rights given to you by the Illinois Franchise Disclosure Act (Section 41). You may have other rights under the Illinois Franchise Disclosure Act or other laws of the state of Illinois. To the extent that the

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Franchise Agreement is inconsistent with Illinois law, the inconsistent terms of the Franchise Agreement will not be enforced and the terms of the applicable Illinois law shall apply.

### **Indiana Addendum**

#### **(Applies only to Indiana franchisees)**

Indiana law prohibits requiring you to prospectively agree to a release or waiver which purports to relieve any person from liability imposed by the Indiana Franchise Practices Act (IC 23-2-2.7(5)). The Franchise Agreement shall be deemed amended to the extent necessary to comply with IC 23-2-2.7(5).

Indiana law limits the parties agreement to resolve disputes in any jurisdiction outside of Indiana (IC 23-2-2.7(10)). Subject to the Federal Arbitration Act, the Franchise Agreement shall be deemed amended and the forum for any court proceedings shall be in Indiana.

### **Maryland Addendum**

#### **(Applies only to Maryland franchisees)**

The Maryland Franchise Registration and Disclosure Law, COMAR 02.02.08.16L, provides that, as a condition of the sale of a franchise, We may not require you to agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under the Franchise Registration and Disclosure Law. Item 17 of the Franchise Disclosure Document is amended by adding: any general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement and Franchise Disclosure Document shall be deemed amended so that no release, assignment, novation, waiver or estoppel is required if it would violate the Maryland Franchise Registration and Disclosure Law. Nothing in the franchise agreement, including any acknowledgments or representations, shall be deemed a release or waiver of any right or obligation under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

If you are a resident of Maryland or your Licensed Business will be in Maryland, You will not pay your Initial Fee or any other money to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

Item 17 of the Franchise Disclosure Document and Article 19 of the Franchise Agreement are amended by adding: any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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Article 19 of the Franchise Agreement is amended to provide as follows: Any lawsuit permitted under this Article shall be brought in the federal or state courts located in the State of Maryland. Item 17 is hereby amended by adding the identical language in the “summary” column of line v.

### **Minnesota Addendum**

#### **(Applies only to Minnesota franchisees)**

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise 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.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. §80C.214, Subds. 3, 4, and 5 which require, except in certain specified cases, that We give you 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the franchise agreement.

We will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name, to the extent required by Minn. Stat. §80C.12, Subd. 1(g).

To the extent governed by Minn. Rule 2860.4400J, you shall not be deemed to have waived any rights under Minnesota law. You shall not be deemed to have consented to Us obtaining injunctive relief, although We may seek injunctive relief. A Court or the arbitrators shall determine whether to require a bond as a condition of injunctive relief.

If your Licensed Business will be in Minnesota, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

### **New York Addendum**

#### **(Applies only to New York franchisees)**

Item 3 is amended to read as follows:

Neither We nor any person identified in Item 2 above have any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against us alleging a violation of any franchise law, antitrust or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither We nor any person identified in Item 2 above have been convicted of a felony or pleaded *nolo contendere* to any felony charge or during the 10 year period immediately preceding the date of this Franchise Disclosure Document, been convicted of or pleaded *nolo contendere* to a misdemeanor charge been held liable in any other civil action by final judgment or been the subject of any other material complaint or other legal proceeding where such felony, misdemeanor civil action, complaint or other legal proceeding involved violation of any franchise law, antifraud or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

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Neither We nor any person identified in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange as defined by the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department.

Item 4 is amended to read as follows:

During the 10 year period immediately preceding the date of the Franchise Disclosure Document neither We nor any predecessor, affiliate, current officer or general partner of Us has been the subject of a bankruptcy proceeding, been adjudged bankrupt or reorganized due to insolvency or been a principal officer of a company or a general partner of a partnership at or within one year of the time that such company or partnership became the subject of a bankruptcy proceeding or was adjudged bankrupt or reorganized due to insolvency or is subject to any such pending bankruptcy or reorganization proceeding.

Item 5 is amended by adding the following: We will use the Initial Fee for the purposes of covering the costs of selling the franchise and other franchises, for your initial training, for general overhead and for profit.

Item 12 is amended by adding the following: Although We will consider many factors in determining the boundaries of your Marketing Area, it will contain a population of not less than 25,000 people.

Item 17 is amended by changing the caption and preliminary statement to read as follows:

Item 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 17 D is amended by adding the following: You may terminate the agreement on any grounds available by law.

Item 17 J is amended by adding the following: We will only assign to an assignee who in Our good faith judgment is willing and able to assume Our obligations.

### **North Dakota Addendum**

#### **(Applies only to North Dakota franchisees)**

Under North Dakota law, no modification or change We make to the Manual or method of operation may materially affect your status, rights or obligations under the Franchise Agreement.

Covenants not to compete are considered unenforceable in the State of North Dakota.

Under North Dakota law, a requirement that you consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered unenforceable.

The North Dakota Franchise Investment Law (Section 51-19-09) requires that the laws of North Dakota, which laws will prevail, will govern the Franchise Agreement. Further, North Dakota law requires that all issues or disagreements relating to the Franchise Agreement will be arbitrated, tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

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Under the North Dakota Franchise Investment Law (Section 51-19-09), a North Dakota franchisee may not be required to execute a general release upon renewal of the Franchise Agreement.

### **Rhode Island Addendum**

#### **(Applies only to Rhode Island franchisees)**

Item 17 is amended by adding the following: Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

If your Licensed Business will be in Rhode Island, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

### **South Dakota Addendum**

#### **(Applies only to South Dakota franchisees)**

Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.

In the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement and interpretation under the governing law of the state where the franchise is located.

Any provision of the franchise agreement which requires you to agree to jurisdiction and venue outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Notwithstanding any term of the franchise agreement, We not terminate the franchise agreement upon default without first affording you thirty (30) days notice with an opportunity to cure the default within that time.

To the extent required by South Dakota law, all provisions giving any party a right to liquidated damages are hereby deleted from the franchise agreement and the parties shall be entitled to their actual damages instead.

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### **Virginia Addendum**

#### **(Applies only to Virginia franchisees)**

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

### **Washington Addendum**

#### **(Applies only to Washington franchisees)**

If any of the provisions in the Franchise Disclosure Document or franchise agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and franchise agreement with regard to any franchise sold in Washington. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

Initial Fees of new Washington franchisees are held in an escrow account until the franchisee's business is open.

The state law addendum, above, if applicable, is a part of the Franchise Agreement and supersedes any inconsistent term(s) of the Franchise Agreement



# Attachment G - State Law Addendum

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year indicated below.

Dated: \_\_\_\_\_ [effective date]      **Date signed:** \_\_\_\_\_

**FRANCHISOR:**  
**Company ABC, Inc.**

**FRANCHISEE:**

By \_\_\_\_\_  
CEO

\_\_\_\_\_  
Franchisee

**Your Address**  
**Your City, State, Zip**

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

