

**THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY  
MICHIGAN FRANCHISE INVESTMENT LAW ONLY**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- a) A prohibition on the right of a franchisee to join an association of franchisees.
- b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.
- c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any provision of the Franchise Agreement and to cure such failure after being given written notice of the noncompliance and a reasonable opportunity, which in no event need to be more than 30 days, to cure such failure.
- d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- g) A provision which permits a franchise to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - 1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor

3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer

h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision I

1) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless a provision has been made for providing the required contractual services

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000 00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL

Any questions regarding this notice should be directed to

State of Michigan  
Consumer Protection Division  
Attn: Franchise  
670 G Mennen Williams Building  
Lansing, Michigan 48933  
Telephone Number (517) 373-7177

Note Despite paragraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

**ITEM**

**TABLE OF CONTENTS**

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES . 1

ITEM 2 BUSINESS EXPERIENCE ..... .. 3

ITEM 3 LITIGATION..... . 3

ITEM 4 BANKRUPTCY... ..... 3

ITEM 5 INITIAL FEES..... . 4

ITEM 6 OTHER FEES ..... . 5

ITEM 7 ESTIMATED INITIAL INVESTMENT ..... . 10

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 19

ITEM 9 FRANCHISEE’S OBLIGATIONS..... .. 23

ITEM 10 FINANCING.. . 24

ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING... .. 25

ITEM 12 TERRITORY ... ..... 32

ITEM 13 TRADEMARKS . .... 34

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION ..... 36

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS... .. 37

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL ..... 38

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION ... 39

ITEM 18 PUBLIC FIGURES. .... 44

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .... 44

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION . . 45

ITEM 21 FINANCIAL STATEMENTS .... 49

ITEM 22 CONTRACTS ..... 50

ITEM 23 RECEIPTS .. . 50

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