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FRANCHISE DISCLOSURE DOCUMENT

CLOSETS UNLIMITED OF NEW JERSEY, INC.
A New Jersey Corporation
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West Berlin, NJ 08091
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(856) 627-5700
www.closetandstorageconcepts.com
www.morespaceplace.com

The franchises offered are for the operation of a More Space Place retail furniture store, specializing in space-saving furniture products, some of which are proprietary or the operation of a Closet & Storage Concepts business providing for the designing, marketing, construction and installing of residential and commercial storage space including closets, garages, and other storage areas for consumers and the selling of related accessories in a retail showroom.

The total investment necessary to begin operation of a More Space Place franchised business is $92,200 to $173,900. This includes $42,000 to $63,500 that must be paid to the franchisor or its affiliate(s).

The total investment necessary to begin operation of a Closet & Storage Concepts franchised business is $72,200 to $494,100. This includes $24,500 to $75,000 that must be paid to the franchisor or its affiliate(s).

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Robert Lewis, 436 Commerce Lane, Suite D, West Berlin, NJ 08091, (856) 627-5700.

The terms of your contract will govern your franchise relationship. Don't rely on this Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "Buying a Franchise, A Consumer Guide" which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: April 1, 2018, as amended May 8, 2018

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION IN THE THEN-CURRENT STATE AND COUNTY WHERE OUR CORPORATE HEADQUARTERS IS LOCATED (CURRENTLY CAMDEN COUNTY, NEW JERSEY). OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN THE THEN-CURRENT STATE AND COUNTY WHERE OUR CORPORATE HEADQUARTERS IS LOCATED THAN IT MAY COST IN YOUR OWN STATE OR AREA.

2. THE FRANCHISE AGREEMENT STATES THAT NEW JERSEY LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM $72,200 TO $494,100. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDER'S EQUITY AS OF DECEMBER 31, 2017, WHICH IS (216,935).

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person or entity a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise. Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that this Disclosure Document be registered or filed with the state, or that an exemption from registration be filed: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, Wisconsin, Connecticut, Nebraska, Kentucky, Utah, Florida and Texas.

This Disclosure Document is registered, on file or has an exemption from registration on file in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	Pending
Minnesota	Pending
New York	Pending
Florida	Exempt
Texas	Exempt
Utah	Exempt
Nebraska	Exempt
Kentucky	Exempt
Connecticut	Exempt

In all the other states, the issuance date of this Franchise Disclosure Document is April 1, 2018, as amended May 8, 2018

Table of Contents

ITEM 1 - THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES 1
ITEM 2 - BUSINESS EXPERIENCE 3
ITEM 3 - LITIGATION 4
ITEM 4 - BANKRUPTCY 4
ITEM 5 - INITIAL FEES 4
ITEM 6 - OTHER FEES 6
ITEM 7 - ESTIMATED INITIAL INVESTMENT 14
ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES 22
ITEM 9 - FRANCHISEE'S OBLIGATIONS 26
ITEM 10 - FINANCING 28
ITEM 11 - FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING 28
ITEM 12 - TERRITORY 48
ITEM 13 - TRADEMARKS 51
ITEM 14 - PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION 53
ITEM 15 - OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS 54
ITEM 16 - RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL 55
ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION 56
ITEM 18 - PUBLIC FIGURES 66
ITEM 19 - FINANCIAL PERFORMANCE REPRESENTATIONS 66
ITEM 20 - OUTLETS AND FRANCHISEE INFORMATION 73
ITEM 21 - FINANCIAL STATEMENTS 79
ITEM 22 - CONTRACTS 79
ITEM 23 - RECEIPTS 80

EXHIBITS TO FRANCHISE DISCLOSURE DOCUMENT

Exhibit A -	List of State Administrators/Agents for Service of Process
Exhibit B -	More Space Place Franchise Agreement
Exhibit C -	Closet & Storage Concepts Franchise Agreement
Exhibit D-1 -	Table of Contents – More Space Place Operations Manual
Exhibit D-2 -	Table of Contents – Closet & Storage Concepts Operations Manual
Exhibit E-1 -	List of More Space Place Franchisees
Exhibit E-2 -	List of Closet & Storage Concepts Franchisees
Exhibit F -	Financial Statements
Exhibit G-	State Addendum

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT, AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN EXHIBIT G.

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

The Franchisor is Closets Unlimited of New Jersey, Inc., a New Jersey corporation. To simplify the language in this Disclosure Document, Closets Unlimited of New Jersey, Inc., will be referred to as "we" or "us". "You" means the individual or individuals or corporation, partnership or limited liability company buying the franchise. If you are a business entity, each of the following individuals must sign our Guaranty: (i) each of your shareholders if you are a corporation; (ii) each of your partners if you are a general partnership; or (iii) each of your members and managers if you are a limited liability company. All of the provisions of our Franchise Agreement (a copy of which is attached as Exhibit B (if you are purchasing a More Space Place franchise and Exhibit C to this Disclosure Document (if you are purchasing a Closet & Storage Concepts franchise)) will apply to you and to each individual who signs the Guaranty.

Franchisor, Parent and Affiliates

We conduct business under the trade names More Space Place® and Closet & Storage Concepts®. We maintain our principal business address at 436 Commerce Lane, Suite D, West Berlin, NJ 08091. We are a New Jersey Corporation, incorporated in January, 1987. In 1989, we started our business, operating under the trade name Closet & Storage Concepts, by acquiring the assets of an unrelated closet and storage design and installation company. We have owned and operated two company owned locations similar to the Closet & Storage Concepts business that we are offering since 1989. We have never offered franchises in other lines of business. Excepted as noted in this paragraph, we have never engaged in any other business.

Our affiliate, MSP Manufacturing, Inc., a Florida corporation, has a principal business address at 5040 140th Ave N, Clearwater, FL 33760. MSP Manufacturing manufactures and distributes to franchisees, cabinet components, Murphy bed frames, hardware and accessories, mattresses, decorative doors and drawer fronts. It has not operated the type of business being franchised. Our affiliate has never offered franchises in this or any other line of business.

We have no other parents or affiliates.

Predecessor

On October 31, 2013, we acquired a substantial portion of the assets of More Space Place, Inc., a Michigan corporation. More Space Place, Inc. was formed in 2002 for the purpose of owning retail outlets and selling More Space Place franchises. It operated from its headquarters located at 5040 140th Avenue North, Clearwater, Florida, 33760.

More Space Place, Inc. operated two franchised businesses similar to the More Space Place business being franchised. It operated a location in Palm Harbor, FL from August 1999-July 2013 and a location in Pinellas Park, FL from September 1997-July 2013. It never engaged in any other business activity nor offered franchises in any other lines of business.

We have no other predecessors.

Agent for Service of Process

Our Agents for Service of Process can be located in Exhibit A of this Disclosure Document.

The Business We Offer

We grant franchises for the operation of More Space Place retail outlets and Closet & Storage Concepts businesses (each a "Franchised Business"). More Space Place businesses operate retail locations under the mark More Space Place® and other marks which we may implement. Some of our early franchisees operated under the trade name Murphy Bed Centers of America® and are transitioning to the More Space Place® marks. If you operate a More Space Place location, you will operate the Franchised Business from a retail location at an agreed site. The More Space Place business consists of selling and servicing our products and other products that utilize the concepts of vertical storage and space-saving as well as use space systems and multi-functional use of existing space to create spacious rooms, for example, in home offices, dens, studies, hotels, dormitories, and fire stations. You will purchase your products from a supplier we designate.

Closet & Storage Concepts businesses operate locations under the mark Closet & Storage Concepts® and other marks which we may implement. If you purchase a Closet & Storage Concepts franchise, you will design, market, construct and install custom storage spaces including closets and garages in customer's homes. These custom storage design systems will be designed and installed to fit certain available styles and to meet particular customer preferences, needs and decors. Depending upon the level of your investment you will either manufacture the custom storage design systems or purchase the manufactured products from other companies or other Closet & Storage Concepts franchisees. You may operate a retail showroom in connection with the custom storage space business. In addition, as a Closet & Storage Concepts franchisee, you will sell accessories related to custom storage space distributed under the Closet & Storage Concepts name and logo. These accessories may be manufactured by us or third party suppliers that we designate. The related accessories include various types of doors, closet hangers, tie and belt racks, closet rods, shoe keepers, garment racks, baskets and other related accessories. In certain circumstances, if we feel demand requires it, we may allow you to operate the Franchised Business out of more than one (1) location under your existing franchise agreement within your granted Territory.

Applicable Regulations

If required by state or local law, you must obtain your own contractor's license or any other license or registration necessary to conduct business including zoning and business operation permits and registration of sales people selling to residential consumers. You must not begin to conduct the Franchised Business until all of these licenses have been obtained. There may be other specific laws in your state or municipality that apply to the Franchised Business relating to labor, health and safety, construction licensing, zoning or other matters. You and your advisors should examine these laws before entering into the Franchise Agreement.

Competition

The market for the Products is rapidly developing, includes all age groups, economic levels, geographic areas, and includes both retail and commercial sales potential. You will compete with other businesses selling similar products and services, including retail and non-retail operations, department stores, furniture stores, or specialty stores that sell our type of products, including custom and modular closet and storage space design and installation services and other products that utilize the concepts of vertical storage and space-saving systems. Our marketing efforts are guided towards certain economic demographics and some areas of the country can experience seasonal sales trends.

ITEM 2 - BUSINESS EXPERIENCE

President, Secretary and Sole Director: Robert Lewis

Mr. Lewis is the founder of CSC. Since CSC commenced the business of designing, marketing, constructing and installing residential and commercial storage space in 1989, through the present, Mr. Lewis has been its President, Secretary and sole Director.

Chief Financial Officer: Ed Gaubert

Mr. Gaubert has served as CSC's Chief Financial Officer from January, 2015 through the present. Since 2009, Mr. Gaubert has also been a contract CFO with SMB Franchise Advisors, located in Doylestown PA.

Director Franchise Development: Tom Harris

Mr. Harris has been the Director of Franchise Development at CSC since March, 2013.

Director of Operations: Dawn Smith

Ms. Smith joined CSC as a Corporate Store Manager in March 2001. Ms. Smith was promoted to National Field Support in August, 2003 and to National Sales Manager in July, 2004. From December, 2007 through the present, Ms. Smith has been our Director of Operations.

National Production Training Manager: Gary Berthel

In September 1995, Mr. Berthel joined CSC as Assistant Production Manager. He has served as CSC's National Production Training Manager from August, 2000 through the present.

Director of CAD/IT Services: Jason Friedley

Mr. Friedley joined CSC as a CAD designer in February, 2006 and was promoted to Director of CAD/IT services in June, 2011.

National Sales Training Manager: Tim Albert

Mr. Albert joined CSC in 2002 as a Designer. He was promoted to National Sales Training Manager in January, 2012.

ITEM 3 - LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 - BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5 - INITIAL FEES

MORE SPACE PLACE

The Initial Franchise Fee for a More Space Place Franchise is Twenty Nine Thousand, Five Hundred Dollars ($29,500.00). If you are in compliance with your More Space Place franchise agreement(s), and any other agreements with us, you may apply for another More Space Place franchise license and we may grant you the right to operate an additional More Space Place Franchised Business. The Initial Franchise Fee for each Franchised Business beyond the first one is Twenty Two Thousand Dollars ($22,000). All Initial Franchise Fees are payable in full and in a lump sum when you sign the Franchise Agreement. All Initial Franchise Fees are deemed earned upon the signing and delivery of the Franchise Agreement by us. Initial Franchise Fees are not refundable to you in whole or in part under any circumstances. These monies are used, in part, for working capital and, in part, for profit. Initial Franchise Fees are imposed uniformly on all franchisees and are not refundable under any circumstances, except that we may negotiate the Initial Franchise Fee as an inducement for existing operators to open additional locations, to induce someone to take over an operating Franchised Business or similar circumstances or considerations.

CAD Design Software Key

You are obligated to purchase a minimum of one (1) CAD Design Software Key from us for your More Space Place business; which will have our proprietary product library, to operate the Franchised Business. The current cost for one (1) CAD Design Software Key is $2000.00. This fee is subject to change based on changes in operating requirements and changes in the software manufacturer's pricing.

Opening Showroom Displays

You are obligated to purchase for your More Space Place business opening inventory for showroom displays and some warehouse inventory, which can be sold as regular/sellable inventory at the appropriate time. The amount of warehouse inventory may vary according to your distance from us and/or distribution points and the size of the warehouse facility available to you, and will range from $18,000.00 to $32,000.00.

CLOSET & STORAGE CONCEPTS

The Initial Franchise Fee for a Closet & Storage Concepts franchise is $19,500.00 for a territory having a population of less than 1,000,000 individuals. The Initial Franchise Fee is $38,500.00 for a territory having a population of 1,000,000 individuals or more. If you are in compliance with your Closet & Storage Concepts franchise agreement(s), and any other agreements with us, you may apply for another Closets & Storage Concepts franchise license and we may grant you the right to operate an additional Closets & Storage Concepts business. The Initial Franchise Fee for each Closets & Storage Concepts business beyond the first one is $15,000.00 for a territory having a population of less than 1,000,000 individuals and $30,000.00 for a territory having a population of 1,000,000 individuals or more. Once your Franchised Business has been established, if we feel demand justifies it, we may allow you to operate the Franchised Business out of more than one location within your granted Territory to better service the customers in your Territory under your existing Franchise Agreement. There are no additional initial fees associated with that. All Initial Franchise Fees are payable in full and in a lump sum when you sign the Franchise Agreement. All Initial Franchise Fees are deemed earned upon the signing and delivery of the Franchise Agreement by us. Initial Franchise Fees are not refundable to you in whole or in part under any circumstances. These monies are used, in part, for working capital and, in part, for profit. Initial Franchise Fees are imposed uniformly on all franchisees and are not refundable under any circumstances, except that we may negotiate the Initial Franchise Fee as an inducement for existing operators to open additional locations, to induce someone to take over an operating Franchised Business or similar circumstances or considerations.

CAD Design Software Key

You are obligated to purchase a minimum of one (1) CAD Design Software Key from us for your Closet & Storage Concepts business; which will have our proprietary product library, to operate the Franchised Business. The current cost for one (1) CAD Design Software Key is $4,500.00. This fee is subject to change based on changes in operating requirements and changes in the software manufacturer's pricing.

Opening Showroom Displays

You are obligated to purchase for your Closet & Storage Concepts business opening inventory for showroom displays and some warehouse inventory, which can be sold as regular/sellable inventory at the appropriate time. The amount of warehouse inventory may vary according to your distance from us and/or distribution points and the size of the warehouse

facility available to you, and will range from $5,000.00 to $32,000.00.

Veteran's Discount

We provide special financial incentives to qualified veterans who have been honorably discharged from the US Armed Forces. This discount applies to the initial purchase of both More Space Place and Closet & Storage Concepts businesses. We offer qualified franchise candidates a 25% reduction in the Initial Franchise Fee for their first Franchised Business. The applicable veteran must own 51% or more of the assets of the Franchised Business or of the business entity that is the Franchisee. We reserve the right to cancel or modify this program at any time.

ITEM 6 - OTHER FEES

MORE SPACE PLACE			
Type of Fee	**Amount**	**Due Date**	**Remarks**
Royalty	5% of Gross Revenues subject to a minimum of $125.00 per week	Payable on each Monday via ACH for the week ending the immediately prior Saturday.	(See Note 1)
(NAP) National Advertising Program Contribution	$300 per month - per store. Can be increased but will not exceed 2.5% of the previous calendar month's Gross Revenues.	Payable monthly with the first Royalty Fee payment of the month via ACH for the previous month.	(See Note 2)
Transfer of Franchise	50% of the then current Initial Franchise Fee subject to a minimum of $14,750.00	Before transfer.	Either you or the transferee pays this fee to Franchisor.

Additional Initial Training; Refresher courses; Supplemental Training; Conferences	Our then-current fee (currently $300 per person, per day) plus all reasonable travel, room, board and living expenses for you and your staff.	At time of training.	If you require that we provide initial training to additional individuals; if we offer refresher courses; supplemental training programs, or conferences which may be optional or mandatory.

MORE SPACE PLACE			
Type of Fee	**Amount**	**Due Date**	**Remarks**
Operations Manual	$0 for 1st Loaner. Additional Copy-then current cost (currently $300)	10 days after billing.	The fee is the same if we loan you any additional copies of the Operations Manual.
Management Fee	Our then-current fee (currently $500 per day per person plus expenses if we have to temporarily manage your store.)	At time of provision of such services.	If for any reason we deem it necessary to have to come in and manage your outlet.
Supplier Testing	Reimbursement of our cost of inspection and evaluation and costs of testing.	At time of testing and inspection.	This fee will be incurred only upon Franchisee's request.
Renewal of Franchise Agreement	25% of the then current initial franchise fee, subject to a minimum of $7,375.00	Upon signing the then-current franchise agreement(s).	You must give us written notice, not less than six (6) months; nor more than twelve (12) months before the expiration of the franchise agreement(s), pay the renewal fee and meet all conditions to obtain the renewal.
Audit	Cost of inspection or audit.	10 days after billing.	(See Note 3)
Insurance	Cost of Insurance	Upon invoice	We may obtain the insurance if you fail to. You will pay the cost of the insurance premiums and a fee to us to cover our reasonable expenses.
Indemnification	Will vary under circumstances	As incurred	(See Note 4)

MORE SPACE PLACE			
Type of Fee	**Amount**	**Due Date**	**Remarks**
Collection Costs, Attorneys' Fees and Interest	Interest on overdue amounts from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate, costs of collection, attorneys' fees and court costs	As incurred	(See Note 5)
Bank Charges and Administrative Costs	Our then current fee (currently $50 per occurrence)	Upon invoice	We may charge fees to cover bank charges and administration costs if an electronic funds transfer attempt is unsuccessful or you close your operating account, or any check or other payment is returned not paid.
CAD Design Software Keys updates	$50 – $150 annual	As incurred	Annual Service/Updates for the proprietary design software keys used in the Franchised Business.
De-Identify	Our costs	As incurred	If you don't de-identify your Franchised Business following expiration or termination of the Franchise Agreement, we may do so at your expense and charge you for our costs.

General Note: All fees are imposed by and are payable to us. The fees and costs in this Item 6 are uniform as to all persons currently being offered a franchise. All fees are nonrefundable.

Note 1: "Gross Revenues" are defined in the Franchise Agreement to include the total gross revenue derived by Franchisee from the operation of the Franchised Business whether from sales for cash or credit, including sales of both franchise products and services, and including installation charges, exclusive of all sales taxes, use taxes, gross receipts taxes and other similar taxes added to the sales price and collected from the customer, and less any bona fide refunds, rebates, and discounts.

If you fail to submit any weekly revenue report on a timely basis, we may estimate Gross Revenues and withdraw from your operating account the amounts estimated to be due.

Note 2: This contribution is paid to us for our National Advertising Program. (See Item 11). This fee may be changed but may not exceed 2.5% of the previous calendar month's Gross Revenues.

Note 3: You must maintain accurate business records, reports, accounts, books and data relating to the operation of your Business. We have the right to inspect and/or audit your business records during normal business hours. If any audit reveals that you have understated Gross Revenues by 2% or more, or if you have failed to submit reports and/or remittances for any 2 reporting periods or you do not make them available when requested, you must pay the reasonable cost of the audit, including the cost of auditors and attorneys, together with amounts due for royalty and other fees as a result of the understated Gross Revenues, including interest from the date when the Gross Revenues should have been reported.

Note 4: You must defend, indemnify and hold us and our related parties harmless from all fines, suits, proceedings, claims, demands, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising from your ownership, operation or occupation of your Franchised Business and Premises, performance or breach of your obligations, breach of any representation or acts or omissions of you or your employees.

Note 5: If we engage an attorney to collect any unpaid amounts (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and collection expenses incurred by us. If you are in breach or default of any non-monetary material obligation and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses. If you institute any legal action to interpret or enforce the terms of the Franchise Agreement, and your claim in the action is denied or the action is dismissed, we may recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against the same.

CLOSET & STORAGE CONCEPTS			
Type of Fee	**Amount**	**Due Date**	**Remarks**
Royalty	5% of Gross Revenues subject to a minimum of $125 per week	Payable on each Monday via ACH for the week ending the immediately prior Saturday.	(See Note 1)
Transfer of Franchise	For franchises with a territory having a population of less than 1,000,000 individuals: 50% of the then current Initial Franchise Fee for a franchise of that size, subject to a minimum of $9,750. For franchises with a territory of $1,000,000 or more individuals: 50% of the then current Initial Franchise Fee for a franchise of that size, subject to a minimum of $19,250	Before transfer.	Either you or the transferee pays this fee to Franchisor.

Supplier Testing	Reimbursement of our costs of inspection and evaluation and costs for testing.	At time of testing and inspection.	This fee will be incurred only upon Franchisee's request.
Renewal of Franchise Agreement	For franchises with a territory having a population of less than 1,000,000 individuals: 25% of the then current Initial Franchise Fee for a franchise of that size, subject to a minimum of $4,875. For franchises with a territory of $1,000,000 or more individuals: 25% of the then current Initial Franchise Fee for a franchise of that size, subject to a minimum of $9,625	Upon signing the then-current franchise agreement(s).	You must give us written notice, not less than six (6) months, nor more than twelve (12) months before the expiration of the franchise agreement(s), pay the renewal fee and meet all conditions to obtain the renewal.
Audit	Cost of inspection or audit.	10 days after billing.	(See Note 2)
Insurance	Cost of Insurance	Upon invoice	We may obtain the insurance if you fail to. You will pay the cost of the insurance premiums and a fee to us to cover our reasonable expenses.
Indemnification	Will vary under circumstances	As incurred	(See Note 3)
Bank Charges and Administrative Costs	Our then current fee (currently $50 per occurrence).	Upon invoice	We may charge fees to cover bank charges and administration costs if an electronic funds transfer attempt is unsuccessful or you close your operating account, or any check or other payment is returned not paid.

CLOSET & STORAGE CONCEPTS			
Type of Fee	**Amount**	**Due Date**	**Remarks**
De-Identify	Our costs	As incurred	If you don't de-identify your Franchised Business following expiration or termination of the Franchise Agreement, we may do so at your expense and charge you for our costs.
CAD Design Software Keys updates	$1,000-1,300 annual	As incurred	Annual Service/Updates for the proprietary design software keys used in the Franchised Business.
Collection Costs, Attorney's Fees and Interest	Interest on overdue amounts from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate, costs of collection, attorneys' fees and court costs.	As incurred	See Note (4)
Management Fee	Our then-current fee (currently $500 per day per person plus expenses if we have to temporarily manage your store.)	At time of provision of such services.	If for any reason we deem it necessary to have to come in and manage your outlet.
Additional Initial Training; Refresher courses; Supplemental Training; Conferences	Our then-current fee (currently $300 per person, per day) plus all reasonable travel, room, board and living expenses for you and your staff.	As incurred	If you require that we provide initial training to additional individuals; if we offer refresher courses; supplemental training programs, or conferences which may be optional or mandatory.
Operations Manual	$0 for 1st Loaner. Additional Copy-then current cost (currently $300)	10 days after billing.	The fee is the same if we loan you any additional copies of the Operations Manual.

General Note: All fees are imposed by and are payable to us. We reserve the right to collect any and all fees due to us or our affiliate arising out of or in relation to the Franchised Business through ACH. The fees and costs in this Item 6 are uniform as to all persons currently being offered a franchise. All fees are nonrefundable.

Note 1: "Gross Revenues" are defined in the Franchise Agreement to include the total gross revenue derived by Franchisee from the operation of the Franchised Business whether from sales for cash or credit, including sales of both franchise products and services, and including

installation charges, exclusive of all sales taxes, use taxes, gross receipts taxes and other similar taxes added to the sales price and collected from the customer, and less any bona fide refunds, rebates, and discounts.

Gross Revenues are aggregated for multiple locations you operate within one granted Territory. If you fail to submit any weekly revenue report on a timely basis, we may estimate Gross Revenues and withdraw from your operating account the amounts estimated to be due.

Note 2: You must maintain accurate business records, reports, accounts, books and data relating to the operation of your Business. We have the right to inspect and/or audit your business records during normal business hours. If any audit reveals that you have understated Gross Revenues by 2% or more, or if you have failed to submit reports and/or remittances for any 2 reporting periods or you do not make them available when requested, you must pay the reasonable cost of the audit, including the cost of auditors and attorneys, together with amounts due for royalty and other fees as a result of the understated Gross Revenues, including interest from the date when the Gross Revenues should have been reported.

Note 3: You must defend, indemnify and hold us and our related parties harmless from all fines, suits, proceedings, claims, demands, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising from your ownership, operation or occupation of your business and Premises, performance or breach of your obligations, breach of any representation or acts or omissions of you or your employees.

Note 4: If we engage an attorney to collect any unpaid amounts (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and collection expenses incurred by us. If you are in breach or default of any non-monetary material obligation and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses. If you institute any legal action to interpret or enforce the terms of the Franchise Agreement, and your claim in the action is denied or the action is dismissed, we may recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against the same.

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ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

MORE SPACE PLACE				
Type of Expenditures[1]	**Amount**	**Method of Payment**	**WHEN DUE**	**To Whom Payment is to be Made**
Franchise Fee[2]	$22,000-$29,500	Lump Sum	Upon Signing Franchise Agreement	Us
Travel and Living Expense While Training[3]	$1,500 to $3,000	As Agreed	During Training	Third Parties
Real Estate Improvements[4]	$5,500 to $24,000	As Agreed	Before Opening	Third Parties
Office Equipment and Supplies[5]	$1,000 to $1,500	As Agreed	Before Opening	Third Parties
Computer Hardware and Software[6]	$2,000 to $2,400	As Agreed	Before Opening	Third Parties
CAD Design Software Keys[7]	$2,000 to $4,000	Lump Sum	Upon receipt of CAD Key(s) and Invoice.	Us
Pallet Lifter or Fork Lift[8]	$600 to $3,000	As Agreed	Before Opening	Third Parties
Trailer or Van[9]	$1,600 to $3,700	As Incurred	As Agreed	Third Parties
Signage and Graphics[10]	$3,500 to $9,000	As Agreed	Before Opening	Third Parties
Opening Showroom Displays[11]	$18,000 to $32,000	Lump Sum	Upon delivery to your store, and receipt of invoice.	Us
Store Display Accessories[12]	$1,200 to $2,500	As Incurred	Before Opening	Third Parties
Grand Opening Advertising[13]	$6,000 to $9,000	As Incurred	During the period beginning 30 days before and ending 30 days after Opening	Third Parties
Architect's Fee and Engineering[14]	$0 to $3,000	Lump Sum	Within 30 days of our approval of the Premises	Third Parties
Miscellaneous Opening Costs[15]	$4,000 to $6,000	As Incurred	Before Opening	Third Parties
Insurance[16]	$1,800 to $2,800	Lump Sum	Before Opening	Third Parties

MORE SPACE PLACE				
Type of Expenditures[1]	**Amount**	**Method of Payment**	**WHEN DUE**	**To Whom Payment is to be Made**
Shop Equipment[17]	$500 to $1,500	As incurred	Before Opening	Approved Distributors
Opening Inventory[18]	$0 to $5,000	Lump Sum	Before Opening	Us/Approved Distributor
Legal and Accounting[19]	$1,000 to $2,000	As incurred	As Agreed	Third Parties
Additional Funds (up to 3 months)[20]	$20,000 to $30,000	As Incurred	As Agreed	Third Parties
Total Estimated Initial Investment[21]	***$92,200 to $173,900***			

Notes

1. All fees payable to us are non-refundable. A third party, to whom payment is made, may provide a different refund policy. We do not finance any fee.

2. We describe the Initial Franchise Fee and any discount programs in Item 5. The low end is the Initial Fee for a Franchised Business beyond the initial location. The high end is the Initial Fee for an initial, undiscounted, franchise.

3. This is based upon three people attending a Pre-Opening Training Session held at our facilities, covering reasonable Travel, food and hotel expense. Payments to employees, insurance, etc. are not included. The initial training itself is provided at no additional cost for up to three (3) people.

4. These estimates are for build-out and renovations necessary to comply with our standards for franchise layout and design. These build-out costs do not include maintenance, taxes or other expenses related to the Premises. Building codes vary from jurisdiction to jurisdiction so you should consult with the governmental agency responsible for licensing and for applicable requirements regarding building requirements, architects plans and/or engineering to meet the codes of the jurisdiction you wish to build in.

5. These estimates are for office equipment, fax machine, phones, office supplies and cleaning supplies.

6. This is based on a low estimate for one computer system and software and a high estimate for two computers and two software licenses needed to operate two systems in your store. Items may be purchased or leased. Accounting software is included in this line item. Computer and Software Support are not included in this estimate.

7. This is based on the CAD Design Software Key(s) you must purchase from us. The low is for one Key and the high is for two keys. Payment is due upon your receipt of CAD Design Software Key(s).

8. You will need the equipment to move heavy pallets in your warehouse. Additionally, depending upon your warehouse, it may be necessary for you to have access to (rent, lease or purchase) either a floor mounted hydraulic lift or a forklift of some kind to aid you in removing pallets from an over-the-road truck. The funds stated should cover the lease or payment of a forklift for a minimum of 3 months.

9. These estimates are for securing a trailer for hauling and delivering products to customer's homes assumes that you will purchase an enclosed covered trailer. We do not require you to purchase a van but you may choose to do so. The high range showed here should cover the lease or payment expense for a van for a period of 3 months. Any trailer or van used by you in the operation of your store must meet our quality and condition requirements, and meet our advertising requirements.

10. These figures include your investment for: storefront signage, in-store graphic grids and plastic panels, panel style graphic displays, a beginning inventory of sales brochures, & vehicle and trailer graphics. This estimate does not include side or back of store signage, street, pylon or marquee signs, window lettering, or any other type of signage. Signage costs vary dramatically from location to location depending upon the signage you are allowed to utilize by local jurisdiction, landlord requirements, available space, type of vehicles you choose, size of store and other factors outside of our control.

11. This is for showroom displays and some warehouse inventory, which can be sold as regular/sellable inventory at the appropriate time. The amount of warehouse inventory may vary according to your distance from us and/or distribution points and the size of the warehouse facility available to you. Payment is due upon receipt at your store/warehouse location.

12. For the purchase of accessories, additional hardware, knobs, soft goods, and decorative vignette items.

13. During the period beginning 30 days before and ending 30 days after you open your More Space Place location, you will place advertising intended to appeal to the general public. You are obligated to utilize our grand opening strategies and advertising materials to maximize the marketing message and correctly use our trademarks in your territory. This figure is separate from those expenses designated for monthly advertising fees or the National Advertising Program.

14. The interpretation and enforcement of building codes varies substantially from jurisdiction to jurisdiction and although it is not common, you may have an architect/engineering fee as it may be necessary for you to have locally drawn architectural plans and/or structural, mechanical, electrical or HVAC engineering services performed to meet the codes of the jurisdiction in which you build. You should consult with the applicable governmental agency responsible for enforcement of building permit requirements.

15. Includes miscellaneous security deposits, utility costs, and corporation or business entity formation fees.

16. This includes insurance deposit and payment for liability casualty insurance only.

17. This includes the equipment required for the installation of products sold by your Franchised Business.

18. This includes an initial inventory of products. The low end assumes that you are selling to order without any inventory. You may choose to either sell to order or to purchase an initial quantity of products.

19. These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advisories consistent with the start-up of a Franchised Business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement.

20. This figure is only an estimate for your initial three months of operating funds for monthly advertising expenses, employment costs, ongoing real estate expenses and other ongoing expenses of operating the More Space Place business. This estimate does not include an owner's salary or draw. These items are by no means all inclusive of the extent of the expense categorization. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate. Maintenance, taxes, and other expenses related to the Premises are not included in this estimate. We have estimated the amount of rent payments for the retail and warehousing needed based on information obtained from our franchisees and our Predecessor's past experience with Franchises. Unless you own adequate commercial property, showroom/retail rent for one thousand to one thousand six hundred (1,000 to 1,600) square feet is estimated to be between One Thousand Two Hundred and Fifty Dollars ($1,250) and Four Thousand Seven Hundred Dollars ($4,700) per month. An additional six hundred to one thousand two hundred (600 to 1,200) square feet of either attached or off-premises space is necessary for receiving, warehousing and working with our products, this rent is estimated to be between Six Hundred Dollars ($600) and One Thousand Five Hundred Dollars ($1,500) per month. These costs can vary dramatically and be higher depending on factors such as the size and age of the space, city where it is located, local economic conditions, property condition, zoning, competition, road frontage and location within the building, signage, additional expenses such as common maintenance and merchant dues, location, and reputation of the premises.

21. This is an estimated breakdown of the various expenses during the initial start-up of your More Space Place business based on information obtained from our franchisees and our Predecessor's past experience with this business since 2002 and assumes that you will lease the location. The total estimated start-up costs may exceed the high range depending upon the location, site conditions, local construction costs, local governmental fees, local market conditions, how closely you follow our methods and procedures, your own management and business skills, and other factors. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing will depend on several factors; the availability of financing, your creditworthiness, your collateral, and lending policies of financial institutions from which you may request a loan.

YOUR ESTIMATED INITIAL INVESTMENT

CLOSET & STORAGE CONCEPTS				
Type of Expenditures	**Amount**	**Method of Payment**	**WHEN DUE**	**To Whom Payment is to be Made**
Franchise Fee[2]	$15,000 to $38,500	Lump Sum	Upon Signing Franchise Agreement	Us
Travel and Living Expense While Training[3]	$1,500 to $3,000	As Agreed	During Training	Third Parties
Real Estate Improvements[4]	$5,500 to $24,000	As Agreed	Before Opening	Various Contractors
Office Equipment and Supplies[5]	$1,000 to $1,500	As Agreed	Before Opening	Third Parties
Computer Hardware and Software[6]	$2,000 to $2,400	As Agreed	Before Opening	Third Parties
CAD Design Software Keys[7]	$4,500 to $13,500	As Agreed	Before Opening	Us
Pallet Lifter or Fork Lift[8]	$600 to $3,000	As Agreed	Before Opening	Third Parties
Trailer or Van[9]	$1,600 to $3,700	Lump Sum	Before Opening	Auto Dealer
Signs and Graphics[10]	$1,000 to $9,000	As Agreed	Before Opening	Third Parties
Opening Showroom Displays[11]	$5,000 to $32,000	Lump Sum	Upon delivery to your store, and receipt of invoice.	Us
Store Displays Accessories[12]	$1,200 to $2,500	As Incurred	Before Opening	Third Parties
Grand Opening Advertising[13]	$5,000 to $20,000	As Incurred	During the period beginning 30 days before and ending 30 days after Opening	Third Parties
Architect's Fee and Engineering[14]	$0 to $3,000	As Incurred	Before Opening	Third parties
Miscellaneous Opening Costs[15]	$4,000 to $6,000	As Incurred	Before Opening	Third parties
Insurance[16]	$1,800 to $5,000	As Incurred	Prior to Opening	Insurance Company

Type of Expenditures	Amount	Method of Payment	WHEN DUE	To Whom Payment is to be Made
Shop Equipment[17]	$500 to $250,000	As incurred	Before Opening	Approved Distributors
Opening Inventory[18]	$1,000 to $25,000	Lump Sum	Before Opening	Us/Approved Distributors
Legal and Accounting[19]	$1,000 to $2,000	Lump Sum	As Incurred	Attorney and accountant
Additional Funds (up to 3 months)[20]	$20,000 to $50,000	As Incurred	As Agreed	Third Parties
Total Estimated Initial Investment [21]	$72,200 to $494,100			

Notes

1. All fees payable to us are non-refundable. A third party, to whom payment is made, may provide a different refund policy. Except where noted, we do not directly or indirectly finance any fee.

2. We describe the Initial Franchise Fee and any discount programs in Item 5. The low end is the Initial Fee for a Franchised Business beyond the initial location with a population of under 1,000,000 individuals. The high end is the Initial Fee for an initial, undiscounted, franchise. The initial franchise fee is $38,500.00 if the territory has a population of 1,000,000 or more individuals for an initial location. The initial franchise fee is $19,500.00 if the territory has a population under 1,000,000 individuals for an initial location. The fee for a location beyond an initial location is $15,000.00 for a territory having a population of less than 1,000,000 individuals and $30,000.00 for a territory having a population of 1,000,000 individuals or more. The initial franchise fee is non-refundable under any circumstances.

3. This is based upon three people attending a Pre-Opening Training Session held at our facilities, covering reasonable Travel, food and hotel expense. Payments to employees, insurance, etc. are not included. The initial training itself is provided at no additional cost for up to three (3) people.

4. These estimates are for build-out and renovations necessary to comply with our standards for Franchise layout and design. These build-out costs do not include maintenance, taxes or other expenses related to the Premises. Building codes vary from jurisdiction to jurisdiction so you should consult with the governmental agency responsible for licensing and for applicable requirements regarding building requirements, architects plans and/or engineering to meet the codes of the jurisdiction you wish to build in.

5. These estimates are for office equipment, fax machine, phones, office supplies and cleaning supplies

6. This is based on a low estimate for one computer system and software and a high

estimate for two computers and two software licenses needed to operate two systems in your store. Items may be purchased or leased. Accounting software is included in this line item. Computer and Software Support are not included in this estimate.

7. This is based on the CAD Design Software Key(s) you must purchase from us. The low is for one Key and the high is for three keys. Payment is due upon your receipt of CAD Design Software Key(s).

8. You will need the equipment to move heavy pallets in your warehouse. Additionally, depending upon your warehouse, it may be necessary for you to have access to (rent, lease or purchase) either a floor mounted hydraulic lift or a forklift of some kind to aid you in removing pallets from an over-the-road truck. The funds stated should cover the lease or payment of a forklift for a minimum of 3 months.

9. These estimates are for securing a trailer for hauling and delivering products to customer's homes assumes that you will purchase an enclosed covered trailer. We do not require you to purchase a van but you may choose to do so. The high range showed here should cover the lease or payment expense for a van for a period of 3 months. Any trailer or van used by you in the operation of your store must meet our quality and condition requirements, and meet our advertising requirements. You may not incur any vehicle costs if you already own or lease a suitable van or box truck.

10. These figures include your investment for: storefront signage, in-store graphic grids and plastic panels, panel style graphic displays, a beginning inventory of sales brochures, & vehicle and trailer graphics. This estimate does not include side or back of store signage, street, pylon or marquee signs, window lettering, or any other type of signage. Signage costs vary dramatically from location to location depending upon the signage you are allowed to utilize by local jurisdiction, landlord requirements, available space, type of vehicles you choose, size of store and other factors outside of our control.

11. This is for showroom displays and some warehouse inventory, which can be sold as regular/sellable inventory at the appropriate time. The amount of warehouse inventory may vary according to your distance from us and/or distribution points and the size of the warehouse facility available to you. Payment is due upon receipt at your store/warehouse location.

12. For the purchase of accessories, additional hardware, knobs, soft goods, and decorative vignette items.

13. During the period beginning 30 days before and ending 30 days after you open your location, you will place advertising intended to appeal to the general public. You are obligated to utilize our grand opening strategies and advertising materials to maximize the marketing message and correctly use our trademarks in your territory.

14. The interpretation and enforcement of building codes varies substantially from jurisdiction to jurisdiction and although it is not common, you may have an architect/engineering fee as it may be necessary for you to have locally drawn architectural plans and/or structural,

mechanical, electrical or HVAC engineering services performed to meet the codes of the jurisdiction in which you build. You should consult with the applicable governmental agency responsible for enforcement of building permit requirements.

15. Includes miscellaneous security deposits, utility costs, and corporation or business entity formation fees.

16. This includes insurance deposit and payment for liability casualty insurance only.

17. The high end includes the equipment required for manufacturing of the products to be sold by your Franchised Business and its installation. The low end assumes that your Franchised Business will be a non-manufacturing franchise and equipment charges will be less.

18. This includes the initial hardware and accessories that must be on hand for retail sales. The high end assumes that you will be a manufacturing franchise and therefore your investment in raw materials will be greater.

19. These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advisories consistent with the start-up of a Franchised Business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement.

20. This figure is only an estimate for your initial three months of operating funds for monthly advertising expenses, employment costs, ongoing real estate expenses and other ongoing expenses of operating the Closet & Storage Concepts business. This estimate does not include an owner's salary or draw. These items are by no means all inclusive of the extent of the expense categorization. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate.

21. This is an estimated breakdown of the various expenses during the initial start-up of your store based on information obtained from our franchisees and our past experience operating stores similar to the one being franchised since 1989. The total estimated start-up costs may exceed the high range depending upon the location, site conditions, local construction costs, local governmental fees, local market conditions, how closely you follow our methods and procedures, your own management and business skills, and other factors. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing will depend on several factors; the availability of financing, your creditworthiness, your collateral, and lending policies of financial institutions from which you may request a loan.

ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases for More Space Place

You must operate the Franchised Business according to the More Space Place System. The More Space Place System may regulate, among other things, the types, models and brands of required furnishings, equipment, signs, materials and supplies to be used in operating the Franchised Business, required or authorized products and product categories and designated or approved suppliers of the items (which may be limited to or include us or our affiliates). You are obligated to purchase all Murphy Bed and panel bed systems, cabinets, mechanisms, bed frames, mattresses, foundations, hardware, molding, additional wall units, book shelves, desk tops and drawers, closet materials, boards, hardware, drawers, baskets, CAD Design Software Keys and other items that may be provided by us, from us, our affiliate or an approved supplier that we designate for these items. We reserve the right to name ourselves or our affiliate as the sole supplier of certain items. You may not be a supplier to other franchisees without our written permission.

You must purchase all other products, goods, services, supplies, fixtures, equipment, inventory, computer hardware and software or real estate relating to the establishment or operation of your Franchised Business from a supplier we designate. The cost of equipment, products, goods, services, supplies and fixtures purchased in accordance within our specifications, from approved suppliers, including us, represents substantially all of your total purchases in establishing and operating your Franchised Business.

Required Purchases for Closet & Storage Concepts

You must operate the Franchised Business according to the Closet & Storage Concepts System. The Closet & Storage Concepts System may regulate, among other things, the types, models and brands of required furnishings, equipment, signs, materials and supplies to be used in operating the Franchises Business, required or authorized products and product categories and designated or approved suppliers of the items (which may be limited to or include us or our affiliates). You are obligated to purchase all wood, brass, plastic, multiple and special hangers, shoe racks, tie & belt racks, garment racks, storage closets and other storage systems, specialty items and closet rods, lumber and particle board (melamine laminated), rod covers, rod cups, pole covers, CAD Design Software Keys and hardware and any other closet or storage system related accessories, hardware and fixtures from us, our affiliate or from a supplier or manufacturer approved by us. Under certain circumstances, we may allow you to purchase items from another franchisee or sell items to another franchisee, but our written permission is required. We reserve the right to name ourselves or our affiliate as the sole supplier of certain items.

You must purchase all other products, goods, services, supplies, fixtures, equipment, inventory, computer hardware and software or real estate relating to the establishment or operation of your Franchised Business from a supplier we designate. The cost of equipment, products, goods, services, supplies and fixtures purchased in accordance within our specifications, from approved suppliers, including us, represents substantially all of your total purchases in establishing and operating your Franchised Business

You are free to use whatever vendor you would like for credit card processing services however, the vendor you choose must be compliant with the Payment Card Industry Data Security Standard (PCI DSS).

Required and Approved Suppliers

If you operate a More Space Place or Closet & Storage Concepts business, you must purchase required equipment from approved suppliers or from us or our affiliate. Other than the manufacturing that we directly perform, we do not own any interest in any of our suppliers. Our affiliate, MSP Manufacturing is a supplier for the following items:

- Cabinet Components
- Murphy Bed Frames
- Hardware & Accessories
- Mattresses
- Closet Systems Components
- Decorative Doors and Drawer Fronts

We reserve the right to earn a profit from the sale of these items to our franchisees. Our officer, Robert Lewis, owns an interest in us and in our affiliate. None of our officers have an ownership interest in any other approved supplier.

Approval of Alternative Suppliers

If you desire to purchase any product or item for which approval is required from a supplier that is not on our approved supplier list, you must request approval of the item or supplier in writing and we will evaluate the supplier and/or item for approval. Although we are not contractually bound to evaluate any supplier or item within a definite time period, we will make a good faith effort to evaluate the supplier or item and to notify you of approval or disapproval within 30 days from the date we receive your written request.

Before approving any supplier, we may take into consideration: a) consistency of products and/or name brands, b) economies of scale achieved by larger volumes, and c) certain other benefits that a particular supplier may offer, such as new product development capability. When approving a supplier, we take into consideration the System as a whole, which means that certain franchisees may pay higher prices than they could receive from another supplier that is not approved. We reserve the right to withhold approval of a supplier for any reason. We do not release our standards and specifications or criteria for supplier approval to System franchisees.

You may not purchase any item from any supplier for which approval is required until you have first received written notification of our approval. You must reimburse us for our reasonable costs of evaluating, inspecting and testing the proposed supplier or item, regardless of whether we approve the supplier or item.

We may withdraw our approval at any time if any supplier's performance does not meet our criteria, if we change our specifications, standards or requirements or for other reasons.

Revenue from Franchisee Purchases

We and our affiliates may derive income or revenue from franchisee purchases. We and/or our affiliates have the right to receive payments from any supplier or distributor to you or to other franchisees within our franchise system and to use these monies without restriction and as we deem appropriate. In the 2017 fiscal year, we earned $113,852 for sales of items to System franchisees, which accounted for 4.2% of our total revenues of $2,721,197. Our affiliate, MSP Manufacturing had revenues of $3,650,034 from sales to System franchisees. This was 100% of its total revenues. We did not receive any rebates or payments from approved suppliers that you are required to make purchases from.

Site Selection

You must submit and we must approve the site for the location of your Franchised Business. The site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other More Space Place or Closet & Storage Concepts locations, the nature of other businesses in proximity to the site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed site. Any site selection assistance provided by us, does not relieve you of the primary responsibility to locate an acceptable site, as required.

We also must approve the lease or sublease for the premises of your Franchised Business before it is signed. We will not unreasonably or untimely withhold approval but can do so if the general business terms do not meet our standards. You must deliver a copy of the signed lease to us within 15 days after its execution. Our approval of the lease indicates only that we believe that its terms fall within the acceptable criteria we have established as of the time of our approval.

You must collaterally assign the lease or sublease for the franchise to us as security for your timely performance of all obligations under the Franchise Agreement and obtain the Lessors consent to the collateral assignment. A copy of the collateral assignment is attached as Exhibit "4" to the More Space Place Franchise Agreement and Exhibit "6" to the Closet & Storage Concepts Franchise Agreement.

Unit Development

The Franchised Business must be constructed or remodeled in accordance with our specifications. You must purchase or lease and use only the furniture, fixtures, equipment and supplies as we may specify or approve. Our standards may regulate, among other things, the use of certain plans, specifications, decor, designs, type of required fixtures, furnishings, equipment, signs, materials, products, and supplies to be used. The designs we furnish you with are for mandatory specifications and layouts for a More Space Place® unit or a Closet & Storage Concepts showroom. Except for those design changes that are approved in writing by us, you must follow these designs. Required purchases and leases according to our specifications and standards represent approximately 100% of your overall purchases and leases in connection with the establishment and operation of your More Space Place or your Closet & Storage Concepts franchise. Although there may be extended payment terms for on-going purchases, payment for all new showroom furnishings is due upon delivery.

Standards and Specifications

You must operate the Franchised Business according to our standards. Our standards and specifications may regulate required or authorized products, product categories, designated or approved suppliers (which may be limited to or include us or our affiliates), brands of required fixtures, furnishings, equipment, signs, materials, products, and supplies to be used which may impose minimum requirements for quality, cost, delivery, performance, design and appearance. We will notify you in our Operations Manual, or other communications, of our standards, specifications, modifications, and/or names of approved suppliers.

Insurance

You must obtain and maintain, at your own expense, insurance coverage to adequately insure your Franchised Business that meets or exceeds any coverage which we require in the Operations Manual or otherwise, and which may periodically be adjusted. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payment, and your history. You are responsible for providing and maintaining written documentation to us verifying all coverage. All insurance policies must contain a separate endorsement naming us and our affiliates as additional insureds using ISO form CG2029 or an equivalent endorsement (no blanket additional insured language is acceptable) and must be written by an insurance carrier accepted by us in writing. No insurance policy may be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 days' prior written notice from the insurance carrier to us. Defense costs cannot erode policy limits.

If the lease for the Franchised Business' premises requires you to purchase insurance with higher limits than those required by us, the lease insurance requirements will control.

If you will be engaging in any construction, renovation or build-out of the premises for the Franchised Business, either you or your third party contractor must have in force for the duration

of said project, Commercial General Liability insurance and Worker's Compensation and Employer's Liability insurance in the amounts listed above as well as Builder's Risk insurance in an amount approved by us.

We may obtain insurance coverage for your center if you fail to do so, at your cost.

Advertising

All advertising and promotion of your Franchised Business must conform to our specifications and standards and must be approved by us in advance. You must submit to us for our approval copies of all advertising and promotional materials including business cards, signs, displays and mailouts.

Cooperatives

We do not have any purchasing or distribution cooperatives.

Negotiated Prices

We negotiate purchase arrangements with some of our suppliers (including price terms and product allocations) for the benefit of System franchisees, but we are under no obligation to do so

Material Benefits

We do not currently provide any material benefits to you if you buy from sources we approve, but we reserve the right to do so in the future.

ITEM 9 - FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	More Space Place Agreement	Closet & Storage Concepts Agreement	Disclosure Document
a. Site selection and acquisition/lease	§§ 1.4	§1.3 & 4.2	Items 6, 7, 8 & 11
b. Pre-Opening purchases/leases	§§ 5.2, 5.3 & 5.10	§§ 5.2 5.3 & 5.11	Items 7 & 8
c. Site development and other pre-Opening requirements	§§ 1.4, 3.3.4, 4.1	§§ 1.3, 4.1, 4.2 & 5.7	Items 6, 7, 8 & 11
d. Initial and	§§4.1	§§ 4.3	Items 6, 7 & 11

ongoing training			
Obligation	**More Space Place Agreement**	**Closet & Storage Concepts Agreement**	**Disclosure Document**
e. Opening	§5.1	§5.1	Items 7 & 11
f. Fees	§§ 2.2, 3.1-3.9, 4.1.2, 7	§§ 2.3, 2.4, 3.1-3.15, 4.3 & 7.3.2	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	§§ 5.2, 5.3	§§ 4.5, 5.2 & 5.3	Items 8 and 11
h. Trademarks and proprietary information	§§ 5.6, 5.7	§§5.7 & 5.8	Items 13 & 14
i. Restrictions on products/services offered	§5.2, 5.3, 5.10, 5.11	§§ 5.2, 5.3, 5.11 & 5.12	Items 8 and 16
j. Warranty and customer service requirements	§§ 5.2 & 5.3	§5.2 & 5.3	Item 11
k. Territorial development and sales quotas	Not Applicable	Not Applicable	Item 12
l. Ongoing product/service purchases	§§ 5.2, 5.3 & 5.10	§§ 5.2, 5.3 & 5.11	Item 8
m. Maintenance, appearance and remodeling requirements	§§ 5.4	§§ 5.5	Items 6, 7 &11
n. Insurance	§ 6.6	§6.6	Items 6 7, & 8
o. Advertising	§§ 3.3	• §3.4-3.9	Items 6, 7, 8, 11
p. Indemnification	§6.2	§6.2	Items 6 & 7
q. Owner's participation, management and staffing	§§ 5.3.5	§§ 5.4	Items 11 & 15
r. Records and reports	§§ 3.6 & 3.7	§§ 3.12 & 3.13	Item 6
s. Inspections and audits	§§ 3.6 & 5.8	§§ 3.12, 5.9	Items 6 & 11
t. Transfer	Article 7	Article 7	Item 17
u. Renewal	§ 2.2	§§ 2.2-2.5	Item 17
v. Post-termination	§§ 6.4 & 9.1	§§6.4 & 9.1	Item 17

obligations			
w. Non-competition covenants	§§ 6.4	§6.4 & 9.1	Item 17
x. Dispute resolution	§§ 11.2 & 11.3	§11.2 & 11.3	Item 17
y. Guarantee of franchisee obligations	Exhibit 2	Exhibit 2	Item 1

ITEM 10 - FINANCING

We do not offer either direct or indirect financing. We do not guarantee your note, lease or other obligation.

If we award you a franchise, we may, in our sole discretion, provide a listing of third party leasing and financing companies that have financed existing More Space Place® or Closet & Storage Concepts locations. We do not know if you will be able to obtain financing for all or part of your investment to develop a More Space Place or Closet & Storage Concepts business and, if so, what the terms of such financing will be. We do not receive direct or indirect payments for placing financing.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

MORE SPACE PLACE

The below sections apply to you if you purchase a More Space Place franchise.

Except as listed below, we are not required to provide you with any assistance:

Pre-Opening Assistance

Before you open your More Space Place business, we will:

1) Provide guidelines with respect to leasing the Premises, as we deem advisable (MSP Franchise Agreement §1.4.

2) Assistance with respect to preliminary plans and layouts for the Premises (MSP Franchise Agreement §4.3, 4.4

3) Provide information on standards and specifications for fixtures, signs, improvements, equipment and other related facilities required in the operation of the Franchised Business and provide lists of approved vendors and products. (MSP Franchise Agreement §4.3,

4.4).

4) Review your leasehold improvement plans or site plans and final construction plans and specifications for conformity to the standards and specifications of the System. (MSP Franchise Agreement §4.3; 4.4; 5.1.)

5) Provide training sessions before the Opening; you must pay all out-of-pocket costs incurred in training for yourself and all of your employees, including but not limited to items such as travel, room, board, wages, and living expenses. (MSP Franchise Agreement §4.1.)

6) Loan you one copy of our Operations Manuals, Advertising Tool Kit, Installation Manual, Accounting Manual and Price Book, (MSP Franchise Agreement §4.3.)

Post-Opening Assistance

During the operation of your More Space Place business, we will:

1. Occasionally conduct programs, seminars or conventions for the benefit of all franchisees. Upon notification by us of any program, seminar or convention, you must attend. These programs, seminars or conventions will be held at our New Jersey corporate headquarters or another location chosen by us. You must pay for all travel and lodging expenses for you and your employees to attend these programs, seminars or conventions plus our then-current fee (MSP Franchise Agreement - §4.1).

2. From time to time purchase and place advertising promoting More Space Place franchisees and the franchise products and services sold by them at our sole discretion. We may also provide advertising and promotional or informational materials to be used by franchisees. You will pay us for the cost of the materials furnished by us plus a mark-up of twenty-percent (20%) to cover our shipping and handling costs. The mark-up may result in a profit to us. We shall make all decisions whether to use national, Internet or local advertising or a combination of national, Internet or local advertising and all decisions regarding the selection of a particular advertising medium and content. We will pay for media costs, commissions and fees, production costs and other costs of advertising when it creates advertisement for all franchisees. (MSP Franchise Agreement - Section 3.3).

3. Offer additional training to you and your management and supervisory personnel, including your designated manager (if you decide to employ a designated manager) which may be optional or mandatory. (MSP Franchise Agreement - Section 4.1).

4. If you require additional on-site management assistance over what is typically provided, we will attempt to provide you with assistance. You must minimally pay to us out-of-pocket expenses such as travel, room, board, and living expenses for all persons, and we may additionally charge you our then-current per day assessment for each person sent. (MSP Franchise Agreement §3.9)

5. Merchandising, marketing, and other advice and assistance as we develop and deem helpful in the operation of the Franchised Business, rendered via personal visit, telephone, newsletters, bulletins, or otherwise (MSP Franchise Agreement §4.2.

6. Bulletins, brochures, and reports regarding the System's plans, policies, research, developments, and activities as we may develop (MSP Franchise Agreement §4.3.

7. The opportunity to participate in group purchasing or leasing programs for supplies, insurance, equipment, and signage which we may, from time to time, sponsor or provide and from which programs we, or our affiliate, may make a profit on (MSP Franchise Agreement §5.2.

8. Inspections of the More Space Place business and its Products and Services as we deem appropriate (MSP Franchise Agreement §5.2; 5.8.

9. All other resources and assistance we develop and offer on a System-wide basis (MSP Franchise Agreement §5.8.

Advertising

Under our National Advertising Program, we currently provide you with local advertising materials. You must spend the greater of: (i) 7% of your monthly Gross Revenues or (ii) $2,500.00 (Two Thousand Five Hundred Dollars), per month, on Local Advertising. Your NAP contributions are deducted from and are not in addition to your required Local Advertising expenditure. We may provide you, at your request, certain advertising promotional materials (MSP Franchise Agreement §3.3). Subject to our approval of any advertisements, you may perform your own local advertising or hire an advertising agency to utilize the materials provided by us. We also require you to perform additional advertising and promotion, of the type and in the financial expenditure amount approved by us, at a cost of $6,000 to $9,000 (Six Thousand to Nine Thousand Dollars) during the period beginning thirty (30) days prior to and ending thirty (30) days after the Opening of the Franchised Business (MSP Franchise Agreement §3.3.4). You may need to expend additional funds if you must continue to promote your business through a continued, extra Grand Opening effort.

You can purchase yellow pages or online advertising for your Franchise. The amount you spend on yellow page or online advertising is applied toward the Local Advertising requirement. ads must be submitted to us for approval and include the information we specify. All advertising, promotion and marketing must be completely clear and factual, not misleading, and conform to the highest standards of ethical marketing as well as the promotional policies that we prescribe. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted for approval before you use them and approved by us, in writing. You may not use any advertising or promotional materials that we have not approved (MSP Franchise Agreement §3.3).

Websites

You acknowledge and agree that any Website (including, but not limited to the More Space Place Website) constitutes "advertising" under our Franchise Agreement. Any Website you develop or utilize must meet all other terms and conditions for advertising described in our Agreement. For this purpose, a "**Website**" means interactive electronic documents, contained in a network of computers linked by communications software, that you operate or authorize others to operate that refers to your store, the MSP Proprietary Marks, us, and the More Space Place system. The term Website also includes Internet, Intranet and World Wide Web home pages, Social Networking or e-mail address sites. You must not establish any Website without our prior written approval of its form, content and information due to our substantial interest in protecting the MSP Proprietary Marks, the System and the Confidential Information. We may require you to participate in a centralized Website operated by us, without any compensation to you. We may refuse to permit you to operate or establish any Website. We reserve the right to establish one or more Internet, Intranet or other forms of e-commerce Websites, networks or communities for the purposes of promoting the development, growth, sales and solicitation of franchises; our establishing or participating in, and requiring or authorizing your participation in, or in connection with e-commerce; establishing purchasing, supply or referral programs, networks or communications in which you must participate; or monitoring your performance under our Agreement and other purposes we designate from time to time which we deem to promote the development and operation of the System. We will establish and notify you of our establishment of Website policies and other forms of e-commerce policies, which will become part of our System Standards and be provided in the Manual or other written communication to you. We own all right, title and interest in and to information compiled from, derived from or obtained by us via your or our use of Websites or our establishment of the Intranet, Internet or other forms of e-commerce networks or communities. Any websites and/or email addresses created by us in conjunction with the MSP trademark, advertising, promotion of our product and/or store locations belong to us. All domain names registered by us or by you in conjunction with the MSP trademarks belong to us.

Advertising Cooperatives

We have not established any advertising cooperatives. If we establish an advertising cooperative within a geographically defined local or regional marketing area in which your Franchised Business is located, you must participate and abide by any rules and procedures the cooperative adopts and we approve. You will contribute to your respective cooperative an amount determined by the cooperative. We will have the right to draft your bank account for the advertising cooperative contribution and to pass those funds on to your respective cooperative. Our affiliate owned locations will have no obligation to participate in any such advertising cooperatives.

The cooperative members will be responsible for the administration of their respective advertising cooperative, as stated in the by-laws that we approve. The by-laws and governing agreements will be made available for review by the cooperative's franchisee members. We may require a cooperative to prepare annual or periodic financial statements for our review. Each cooperative will maintain its own funds; however, we have the right to review the cooperative's finances, if we so choose. Your Franchised Business may not benefit directly or proportionately to its contribution to the Cooperative.

We reserve the right to approve all of a cooperative's marketing programs and advertising materials. On 30 days written notice to affected franchisees, we may terminate or suspend a cooperative's program or operations. We may form, change, dissolve or merge any advertising cooperative.

National Advertising Program

The National Advertising Program is administered for the common benefit of System franchisees. Under the MSP Franchise Agreement, we have the right to require you to contribute $300 Three Hundred Dollars per month (which can be increased to no more than 2.5% of the previous calendar month's Gross Revenues) to the NAP. (Section 3.3.2.1 of the Franchise Agreement).

All Franchisees will be required to contribute on the same basis. Our suppliers may be asked to contribute to the NAP on terms we negotiate. We have the sole right to determine contributions and expenditures from the NAP, or any other advertising program, and sole authority to determine the selection of the advertising materials and programs. We are not required, under the Franchise Agreement, to spend any amount of NAP contributions in your Territory and not all System franchisees will benefit directly or on a pro rata basis from these expenditures. (Section 3.3.2.2 of the Franchise Agreement). NAP contributions may be used at our discretion for the following: the development, production and distribution of national and/or local advertising; the creation of advertising materials and public relations which, in our sole judgment, promote the products and services offered by System businesses including development and production of advertising and marketing programs and materials; purchase of media, field marketing programs and activities; promotions, new product research and development, quality control, mystery shopper programs which include call recording; market research; talent fees; working with public relations firms; website and social media development and maintenance; and for administrative, travel, debt service and operating costs and overhead. Our decisions in all aspects related to the NAP will be final and binding. We may charge the NAP for the costs and overhead, if any, we incur in activities reasonably related to the creation and implementation of the NAP and the advertising and marketing programs for franchisees. These costs and overhead include: (i) the cost of preparing advertising campaigns and other public relations activities, (ii) the cost of employing advertising agencies, including fees to have print or broadcast advertising placed by an agency and all other advertising agency fees, and (iii) the proportionate compensation of our employees who devote time and render services in the conduct, formulation, development and production of advertising, marketing and promotion programs or who administer the NAP. (Section 3.3.2.3 of the Franchise Agreement).

We do not anticipate that any part of your contributions to the NAP will be used for advertising that is principally a solicitation for the sale of additional franchises, but we reserve the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. (Section 3.3.2.1 of the Franchise Agreement). Your contribution to the NAP will be credited against your obligation for Local Advertising.

We may also establish special promotional programs. You are required to participate in special promotional programs and you must pay your share of the cost of developing and implementing the program, including common development, design and advertising costs. You must participate in all rebate programs and must offer all discounts required by us. (Section 3.3.3 of the Franchise Agreement).

Although we anticipate that all NAP contributions will be spent in the fiscal year in which they accrue, any remaining amounts will be carried over for use during the next fiscal year. The NAP may spend more or less than the total NAP annual contributions in a given fiscal year and may borrow funds to cover deficits. If we terminate the NAP, we may choose to spend the funds in accordance with our then-current marketing policies or distribute funds to franchisees on a pro-rata basis. There is no requirement that the NAP be audited. Upon your written request, we will provide you with un-audited fiscal year-end financial statements and accountings of NAP expenditures. (Section 3.3.2.3 of the Franchise Agreement). We do not owe you any fiduciary obligation for administering the NAP. We may incorporate the NAP or operate it through a separate entity if we deem appropriate.

During the fiscal year ending December 31, 2017, $63,770 was collected by the NAP. Breakdowns by percent of the NAP expenditures are as follows: administrative expenses- ten percent (10%); production- thirty percent (30%); and placement- sixty (60%).

There is currently no advertising council in place for the System.

Computer Requirements

We do not presently, but reserve the right to, require Franchises to purchase or lease specific computer hardware and support, following our then current standards and specifications. As part of our future requirement to link directly with the franchises, you must purchase and use a computer system which will electronically communicate with us and allow for the transmittal of information relating to sales, cost of goods and inventory management statistics and required reporting. We will have the right to independently access all data information contained in the computer system we designate and there are no contractual limitations on our right to access this information. This information may be shared with the System. We have developed a web-based software program for management of customer relations and/or related activities (hereinafter the "Computer Program") and have implemented the Computer Program into the System. The Computer Program will process and display data related to tracking customer leads, average sales, closing percentages and related customer management information. You will be required to use the Computer Program.

We currently require the use of Computer Aided Design ("CAD") Software Keys to be purchased from us. The cost of the software is subject to change based on changes in software requirements and the software producer, and we presently estimate the costs at $2,000 per Key. The required additional software, including Quickbooks, must be purchased through an approved supplier and will range from $2,000 to $2,400.

We currently require that you upgrade and update your computer system on a regular

basis, we will continuously attempt to keep any changeover or maintenance charges to a minimum.

This paragraph summarizes the requirements of §5.13 of the MSP Franchise Agreement.

Operations Manual

During the term of the franchise agreement, we will loan to you one copy of an operations manual, which may consist of one or more manuals and other written materials (collectively, the "**Operations Manual**" or "**Manual**") containing mandatory and suggested formats, specifications, standards, methods and procedures prescribed by us periodically. The table of contents of the Manual is disclosed as Exhibit D-1. Our MSP Manual contains 148 pages.

TRAINING PROGRAM

TRAINING PROGRAM - More Space Place

Session 1 - Initial Training - Corporate Office: Sales/Design & Store Operations

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction & Product Overview • Industry History • Competition • Brand/System Distinction • Design & Product Categories	4	0	Corporate Office (New Jersey) or Clearwater Manufacturing Facility

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Design & Sales • Overview of Design & Sales Process • Role of the Designer/Salesperson • Measuring & Assessing Customer Needs • Design Techniques & Standards • Pricing of Jobs • Sales Process "The Sales Call" • Service Standards "The Customer Experience" • Building & Maintaining Professional Partnerships	16	12	Corporate Office (New Jersey) or Clearwater Manufacturing Facility
CAD Design • Overview of CAD Program & Library • Role of CAD Operator • Software & Support	1	0	Corporate Office (New Jersey) or Clearwater Manufacturing Facility
Operations & Administration • Operations Roles & Responsibilities • Lead & Job Scheduling Management (CRM System) • Employee Staffing & Human Resources • Vendor Relations	3	0	Corporate Office (New Jersey) or Clearwater Manufacturing Facility/ Remote calls or webinars
Marketing & Advertising • Overview of Marketing Strategy • Role of the Marketing Department • Marketing & Advertising Sources • Company Websites & Social Media • Marketing Materials & Signage	4	0	Corporate Office (New Jersey) or Clearwater Manufacturing Facility/ Remote call or Webinars

Session 2 - Initial Training – Corporate Office - Assembly & Installation

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Product Assembly & Installation • Overview of Assembly & Installation Process • Role of the Warehouse Manager & Installation Staff • Product Ordering & Receiving Goods • Installation & Delivery • Quality Control • Vendor Relations • Inventory Management	8	24	Corporate Office (New Jersey) or Clearwater Manufacturing Facility
Finance • Overview of Store Finance Structure • Quickbooks & Chart of Account • Expense Control & P/L Management • Benchmark Review • Royalty Reporting & Payments • Cost of Goods • Accounts Receivable Management	2	0	Corporate Office (New Jersey) or Clearwater Manufacturing Facility/ Remote call or Webinars
Operations & Administration • Business Management & Reporting	2	0	Corporate Office (New Jersey)/ Remote call or Webinars
Wrap Up • Showroom Design & Buildout • Warehouse Layout	4	0	Corporate Office (New Jersey) or Clearwater Manufacturing Facility

Session 3 - Initial Training - On Site - Showroom Installation

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
• Assembly & Installation Training Review • Oversight of Warehouse Set Up & Inventory Organization • Support Installation of Showroom Displays	20	20	At Franchise Location

Session 4 - Initial Training - On Site - CAD Design, Store Operations & Sales/Design Field Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
CAD Design, Sales & Order Processing • CAD Design Training • Job Ordering Processing Training • Showroom Sales Training • Store Operations	8	16	Corporate (NJ or Clearwater, FL) Remote calls/webinars or MSP store location designated by Franchisor
Design & Sales • Sales & Design Training Review • Field Training – Sales (leads) & Design	4	12	At Franchise Location

Initial training will be conducted by Dawn Smith, Gary Berthel, Tim Albert and Jason Friedley. Dawn has been our Director of Operations since 2007. Gary has been our National Production Training Manager since 2000. Tim has been our National Sales Training Manager since January, 2012. Jason has been the Director of CAD/IT Services since 2011. Before you open your initial More Space Place franchise, we provide you training at our corporate location in New Jersey, at our Clearwater, Florida manufacturing facility and/or at a franchised location or your store. Except for the technical hands-on Installation Training that we designate, you must be present for each session in its entirety and according to the schedule mandated by us. We will schedule on-location sessions as the need and the availability of training staff, in our discretion, allows.

We do not charge for this training for up to the initial three (3) people. You must pay the travel and living expenses for you and your employees. You (or your Operating Principal if you are an entity) are obligated to successfully complete the first Two Initial Training Sessions before opening. If you intend to have a designated full time person other than yourself manage daily operations, we must approve the designated manager and they must successfully complete those training sessions we mandate to compliment your level of participation in the operation of the business. You are responsible for all expenses of those attending training, including all travel, room and board, wages and living expenses. Other than those sessions previously

mentioned, you may request in writing that additional training sessions be held during the Term.

We reserve the right to offer franchisee conventions, refresher courses and supplemental training programs, which may be optional or mandatory, from time to time. You shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending any convention, refresher course or supplemental training. You shall pay our then-current tuition for any individual attending refresher courses or supplemental training or any franchisee convention.

Instructional materials include our product samples and literature. Instructional methods include classroom and on-the-job training. Initial Training will only occur after the Franchise Agreement is executed.

Trainees must complete the initial training to our satisfaction. For individuals opening subsequent stores, we, at our sole discretion, may shorten or lengthen the required training based on your progress, experience, and other factors. If we decide you are not ready to begin the management of your franchise, we may require you to complete refresher or supplemental training. We, at our sole discretion, may allow you to be excluded from certain portions of the training program based upon your ability which we may test by: a written or verbal testing of your knowledge about our systems, performing certain aspects of the operation of a unit, or based upon your experience in the management of a More Space Place unit.

Each of the above subjects and instructional hours, either by classroom or on-the-job, will be supervised by qualified in-store management or designated company trainers. As of our most recent fiscal year end, we provided the above training.

Site Selection Method

You must locate and we must approve (in our reasonable discretion) in writing, the site for the premises for the Franchised Business within 120 days of executing the Franchise Agreement. A site will be approved or rejected within fifteen days after your written submission to us (this period may be extended as necessary for you to provide additional information we request). If we cannot agree on a site for the Franchised Business, we may extend the time period, or at our option terminate the Franchise Agreement. Our approval of the site does not imply, guaranty, assure, warrant, or predict profitability or success, express or implied. Our recommendation or approval of a site indicates only that we believe that it falls within the acceptable demographic and other criteria for sites that we have established as of the time of our recommendation for approval. The Premises must meet our criteria, which we will provide you, for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other More Space Place® locations, the nature of other businesses in proximity to the site and other commercial characteristics and the size, appearance and other physical characteristics of the Premises. Application of criteria that have appeared effective with respect to other sites may not accurately reflect the potential for all sites. Demographic and/or other factors included in or excluded from our criteria could change to alter the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we will not be responsible for the failure of a site we have recommended or approved to meet

expectations as to potential revenue or operational criteria. (MSP Franchise Agreement §1.4.1).

Time to Opening

You must complete the development of and open the unit for business by the earlier to occur of; (i) 120 days after the date of execution of the Business Location Agreement, or (ii) within 240 days after the date of the execution of the Franchise Agreement. In our sole discretion, we may grant you one extension of up to 120 days. We estimate that the length of time between signing the lease and the opening of the Franchised Business is about 90 to 120 days depending upon the amount of changes you request to be made to our designs and the amount of construction needed. The interval may vary based upon such factors as the supply of suitable space in your territory, your financial requirements and creditworthiness, the time required to obtain government permits, approvals, and licenses, and the availability of construction, labor, materials, equipment and the like. You are responsible for providing us, and you may not open the franchise for business until: (1) we approve the unit as developed according to our specifications and standards; (2) pre-opening training has been completed to our satisfaction; (3) the initial franchise fee and all other amounts then due to us have been paid; and (4) we have been furnished with copies of all required documents, including evidence of all applicable permits, insurance coverage and payment of premiums as we request. (MSP Franchise Agreement §1.4.1).

The time period for opening the business includes site selection and approval, site renovations and remodeling, permitting, training and set-up for operations.

CLOSET & STORAGE CONCEPTS

The below sections apply to you if you purchase a Closet & Storage Concepts franchise.

Except as listed below, we are not required to provide you with any assistance:

Pre-Opening Assistance

Before you open your Closet & Storage Concepts business, we will:

1) Designate your territory (CSC Franchise Agreement - Section 1.4.

2) Assist with respect to selecting a showroom site (If you intend to conduct your business from a showroom) (CSC Franchise Agreement – Section 1.3, 4.2)

3) Assist you in negotiating a lease for the showroom site which you have selected. The lease is subject to our approval or disapproval which generally shall be given within 30 days after you submit a written copy of the lease to us. You should consult with an attorney who is experienced in reviewing leases for commercial locations. (CSC Franchise Agreement – Section 1.3)

4) Upon approval by us of the showroom site which you select, we will provide you with advice, guidance and general layout (but not construction) plans for the showroom. In constructing your showroom you must comply with all local building codes, ordinances and requirements and obtain all required building, health and sign permits and licenses. You pay all costs for construction or remodeling the showroom. (CSC Franchise Agreement - Sections 4.1 and 4.2).

5) Provide you with a list of suppliers and written specifications for all equipment, goods, products and supplies you will need in connection with your franchise business and provide you with an opening inventory of franchise products, design layouts and supplies. (CSC Franchise Agreement - Sections 1.05 and 4.01).

6) Provide you with mandatory and suggested written standards, specifications, procedures and techniques to assist you in operating your business and developing financial records, internal controls, personnel policies, production methods and approve sources of supply. This information shall be included in our confidential training and operations manual and any other manuals and written materials as we may develop in connection with the Franchised Business (the "Manual"). The manuals supplied to you are confidential and remain our property. We may modify these manuals, but a modification will not alter your status and rights under the franchise agreement. (CSC Franchise Agreement - Section 4.01 (c)). Attached as Exhibit D-2 to this Disclosure Document is the table of contents of our Closet & Storage Concepts confidential training and operations manual as of the date of this Disclosure Document.

Post-Opening Assistance

During the operation of your Closet & Storage Concepts business, we will:

1. Occasionally conduct programs, seminars or conventions for the benefit of all franchisees. Upon notification by us of any program, seminar or convention, you must attend. These programs, seminars or conventions will be held at our New Jersey corporate headquarters or another location chosen by us. You must pay for all travel and lodging expenses for you and your employees to attend these programs, seminars or conventions plus our then-current fee. (CSC Franchise Agreement - Section 4.3).

2. Make available to you all improvements and additions to the franchise. (CSC Franchise Agreement - Section 5.10).

3. Counsel and assist you about the management and operation of your business. (CSC Franchise Agreement - Section 4.4).

4. If you require additional on-site management assistance over what is typically provided, we will attempt to provide you with assistance. You must minimally pay to us out-of-pocket expenses such as travel, room, board, and living expenses for all persons, and we may additionally charge you our then current fee for each person sent (CSC Franchise

Agreement §3.15.)

5. From time to time purchase and place advertising promoting Closet & Storage Concepts franchisees and the franchise products and services sold by them at our sole discretion. We may also provide advertising and promotional or informational materials to be used by franchisees. You will pay us for the cost of the materials furnished by us plus a mark-up of twenty-percent (20%) to cover our shipping and handling costs. The mark-up may result in a profit to us. We shall make all decisions whether to use national, Internet or local advertising or a combination of national, Internet or local advertising and all decisions regarding the selection of a particular advertising medium and content. We will pay for media costs, commissions and fees, production costs and other costs of advertising when it creates advertisement for all franchisees. (CSC Franchise Agreement - Section 3.4).

6. Offer additional training to you and your management and supervisory personnel, including your designated manager (if you decide to employ a designated manager) which may be optional or mandatory. (CSC Franchise Agreement - Section 4.3).

Advertising

We utilize in-store merchandising and point-of-purchase printed materials to promote Closet & Storage Concepts products and services in the franchise showroom. We do not currently utilize broadcast media such as television and radio for advertising. However, we use public relations programs as we deem necessary or appropriate. Point-of-purchase marketing is done at the showroom level. We use national marketing service firms for the production of our marketing materials and public relations development.

We will direct all marketing and public relations programs with sole discretion over creative concepts, materials, endorsements and media use. We will have the right to determine the composition of all geographic territories and market areas for the implementation of these programs. We are not required to spend any specific amount of money for marketing/advertising in your particular market or area where your showroom is located. We cannot and do not ensure that you will benefit directly or pro-rata from the placement of any marketing or public relations program.

We do not make use of advertising cooperatives, nor do we require that you join one. We reserve the right to do so in the future. If we establish an advertising cooperative within a geographically defined local or regional marketing area in which your Franchised Business is located, you must participate and abide by any rules and procedures the cooperative adopts and we approve. You will contribute to your respective cooperative an amount determined by the cooperative. We will have the right to draft your bank account for the advertising cooperative contribution and to pass those funds on to your respective cooperative. Our affiliate owned locations will have no obligation to participate in any such advertising cooperatives. The cooperative members will also be responsible for the administration of their respective advertising cooperative, as stated in the by-laws that we approve. The by-laws and governing agreements will be made available for review by the cooperative's franchisee members. We may

require a cooperative to prepare annual or periodic financial statements for our review. Each cooperative will maintain its own funds; however, we have the right to review the cooperative's finances, if we so choose. Your Franchised Business may not benefit directly or proportionately to its contribution to the Cooperative. We reserve the right to approve all of a cooperative's marketing programs and advertising materials. On 30 days written notice to affected franchisees, we may terminate or suspend a cooperative's program or operations. We may form, change, dissolve or merge any advertising cooperative.

You must spend the greater of: (i) 7% of your monthly Gross Revenues or (ii) $2,500.00 (Two Thousand Five Hundred Dollars), per month, on Local Advertising. If you operate more than one location in your Territory under a single Franchise Agreement, your Gross Revenues will be aggregated for the purpose of determining your Local Advertising requirement. You may develop advertising materials for your own use at your own cost. Unless you use advertising materials provided by us and follow our instructions using these advertising materials, you must obtain our approval in advance and in writing to use any advertising materials which you develop. You must use our website in any advertising program you develop. You will not be permitted to use either your own Internet domain name or your own website in your advertising program. You may not use any marketing, promotion, advertising or public relations materials that we have disapproved. (CSC Franchise Agreement - Sections 3.9; See also Items 7 and 9 of this Disclosure Document for additional references to advertising.)

Websites

You acknowledge and agree that any Website (including, but not limited to the Closet & Storage Concepts Website) constitutes "advertising" under our Franchise Agreement. Any Website you develop or utilize must meet all other terms and conditions for advertising described in our Agreement. For this purpose, a "**Website**" means interactive electronic documents, contained in a network of computers linked by communications software, that you operate or authorize others to operate that refers to your store, the CSC Proprietary Marks, us, and the Closet & Storage Concepts system. The term Website also includes Internet, Intranet and World Wide Web home pages, Social Networking or e-mail address sites. You must not establish any Website without our prior written approval of its form, content and information due to our substantial interest in protecting the CSC Proprietary Marks, the System and the Confidential Information. We may require you to participate in a centralized Website operated by us, without any compensation to you. We may refuse to permit you to operate or establish any website. We reserve the right to establish one or more Internet, Intranet or other forms of e-commerce Websites, networks or communities for the purposes of promoting the development, growth, sales and solicitation of franchises; our establishing or participating in, and requiring or authorizing your participation in, or in connection with e-commerce; establishing purchasing, supply or referral programs, networks or communications in which you must participate; or monitoring your performance under our Agreement and other purposes we designate from time to time which we deem to promote the development and operation of the System. We will establish and notify you of our establishment of Website policies and other forms of e-commerce policies, which will become part of our System Standards and be provided in the Manual or other written communication to you. We own all right, title and interest in and to information compiled from, derived from or obtained by us via your or our use of Websites or our establishment of the

Intranet, Internet or other forms of e-commerce networks or communities. Any websites and/or email addresses created by us in conjunction with the CSC trademark, advertising, promotion of our product and/or store locations belong to us. All domain names registered by us or by you in conjunction with the CSC trademarks belong to us.

Computer Requirements

You must use a computer in the operation of your Closet & Storage Concepts business. You do not have to use a specific brand or type of hardware or software. Your computer system must have Internet access and e-mail capability including a functioning e-mail address for your business. So long as your computer system continues to work properly and have Internet access and e-mail capability, you will not have to upgrade or update your computer hardware or software. (See Item 7 of this Disclosure Document for the estimated cost of obtaining your hardware and software).

We have developed and implemented into the franchise system a web-based software program for management of customer relations and related activities. You must use the software in the operation of your franchise business and to input data regarding customer leads, average sales, closing percentages and related customer management information. We will have full independent access to this data and it may be shared with the System. (CSC Franchise Agreement - Section 5.14). We currently require the use of Computer Aided Design ("CAD") Software Keys to be purchased from us. The cost of the software is subject to change based on changes in software requirements and the software producer, and we presently estimate the costs at $4,500 per Key. The required additional software must be purchased through an approved supplier and will range from $2,000 to $2,400.

Operations Manual

During the term of the franchise agreement, we will loan to you one copy of an operations manual, which may consist of one or more manuals and other written materials (collectively, the **"Operations Manual"** or **"Manual"**) containing mandatory and suggested formats, specifications, standards, methods and procedures prescribed by us periodically. The table of contents of the Manual is disclosed as Exhibit D-2. The Manual currently contains 141 pages.

TRAINING PROGRAM

TRAINING PROGRAM - Closet & Storage Concepts

Session 1 - Initial Training - Corporate Office: Sales/Design & Store Operations

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction & Product Overview • Industry History • Competition • Brand/System Distinction • Design & Product Categories	4	0	Corporate Office (New Jersey)
Design & Sales • Overview of Design & Sales Process • Role of the Designer/Salesperson • Measuring & Assessing Customer Needs • Design Techniques & Standards • Pricing of Jobs • Sales Process "The Sales Call" • Service Standards "The Customer Experience" • Building & Maintaining Professional Partnerships	16	12	Corporate Office (New Jersey)
CAD Design • Overview of CAD Program & Library • Role of CAD Operator • Software & Support	1	0	Corporate Office (New Jersey)
Operations & Administration • Operations Roles & Responsibilities • Lead & Job Scheduling Management (CRM System) • Employee Staffing & Human Resources • Vendor Relations	3	0	Corporate Office (New Jersey)/Remote calls or webinars

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Marketing & Advertising • Overview of Marketing Strategy • Role of the Marketing Department • Marketing & Advertising Sources • Company Websites & Social Media • Marketing Materials & Signage	4	0	Corporate Office (New Jersey)/Remote Webinars

Session 2 - Initial Training - Corporate Office - Manufacturing & Installation

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Product Manufacturing & Installation • Overview of Manufacturing & Installation Process • Role of the Production & Installation Staff • Cut Lists & Product Ordering • Equipment Operation & Maintenance • Installation & Delivery • Quality Control • Vendor Relations • Inventory Management	16	16	Corporate Office (New Jersey)
Finance • Overview of Store Finance Structure • Quickbooks & Chart of Account • Expense Control & P/L Management • Benchmark Review • Royalty Reporting & Payments • Cost of Goods • Accounts Receivable Management	2	0	Corporate Office (New Jersey)/Remote webinars

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Operations & Administration • Business Management & Reporting	2	0	Corporate Office (New Jersey)/Remote calls or webinars
Wrap Up • Showroom Design • Shop/Equipment Layout	4	0	Corporate Office (New Jersey)

Session 3 - Initial Training - On Site - Manufacturing Setup

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
• Equipment Setup & Testing • Manufacturing & Installation Training Review • Oversight of Warehouse Set Up & Inventory Organization • Support Ordering & Installation of Showroom Displays	20	20	At Franchise Location

Session 4 - Initial Training - On Site - Sales & Design Field Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
• Showroom Layout & Design • Sales & Design Training Review • Field Training – Sales (leads) & Design	20	20	At Franchise Location

You (or your Operating Principal if you are an entity) and your designated manager (if employed) must attend and successfully complete to our satisfaction the Closet & Storage Concepts training course. If we determine that you and/or your designated manager are unable to successfully complete the training course, we have the right to terminate the Franchise Agreement. (CSC Franchise Agreement - Section 4.4).

We do not charge for this training for up to the initial three (3) people. You must pay the travel and living expenses for you and your employees. The instructional materials consist of our Training and Operations Manual and demonstrations and practice. Initial training will be conducted by Dawn Smith, Gary Berthel, Tim Albert and Jason Friedley. Dawn has been our Director of Operations since 2007. Gary has been our National Production Training Manager

since 2000. Tim has been our National Sales Training Manager since January, 2012. Jason has been the Director of CAD/IT Services since 2011. All training sessions begin at approximately 9 A.M. All training occurs at our New Jersey location and/or at a Franchised Business location. (Franchise Agreement - Section 4.4).

We reserve the right to offer refresher courses and supplemental training programs, which may be optional or mandatory, from time to time. You shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending any refresher or supplemental training. You shall pay our then-current tuition for any individual attending refresher courses or supplemental training. (Franchise Agreement - Section 4.4).

If we decide you are not ready to begin the management of your franchise, we may require you to complete refresher or supplemental training. We, at our sole discretion, may allow you to be excluded from certain portions of the training program based upon your ability which we may test by: a written or verbal testing of your knowledge about our systems, performing certain aspects of the operation of a unit, or based upon your experience. (Franchise Agreement - Section 4.4).

Site Selection Method

If you intend to conduct your business from a showroom, you must select an acceptable site within your Territory within 120 days after you sign the Franchise Agreement. Your site must be at least 3,000 square feet in area. We generally will approve or disapprove of the site within 60 days after we receive notice of and information about the location.

Neither our assistance in evaluating the site, nor our approval of the site are a guarantee or representation of the likelihood of success or profitability of your Closet & Storage Concepts business. In evaluating the site, you may inspect the site and may consider the lease obligations, population, demographic characteristics, traffic patterns, parking, character and attractiveness of the neighborhood, competing outlets and the proximity to those outlets, other Closet & Storage Concepts and More Space Place locations and other businesses. The risks associated with the selection of a location are yours, and we make no representation or warranty of any kind as to the suitability of the proposed site for your Franchised Business location or for any other purpose. Our approval indicates that we believe that the particular site falls within its criteria at the time we conducted our evaluation.

You must independently evaluate and investigate the proposed site, observing customer traffic patterns near the location at different times of the day and on different days of the week and speaking with other tenants near the location under consideration. You should not rely on information from us in making your decision of whether to accept the location. We must approve the site before you enter into lease negotiations. (CSC Franchise Agreement – Section 1.3)

If you fail to obtain a site for the showroom which is acceptable to us in the time period required, we may terminate the Franchise Agreement (CSC Franchise Agreement - Section 1.3)

Time to Opening

You must complete the development of and open the Franchised Business by the earlier to occur of; (i) 120 days after the date of execution of the Business Location Agreement for the premises, or (ii) within 240 days after the date of the execution of the Franchise Agreement. In our sole discretion, we may grant you one extension of up to 120 days. We estimate that the length of time between signing the lease and the opening of the Franchised Business is about 90 to 120 days depending upon the amount of changes you request to be made to our designs and the amount of construction needed. The factors that affect this time are the ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages and delayed installation of equipment, fixtures and signs. You are responsible for providing us, and you may not open the franchise for business until: (1) we approve the location as developed according to our specifications and standards; (2) pre-opening training has been completed to our satisfaction; (3) the initial franchise fee and all other amounts then due to us have been paid; and (4) we have been furnished with copies of all required documents, including evidence of all applicable permits, insurance coverage and payment of premiums as we request.

The time period for opening the business includes site selection and approval, site renovations and remodeling, permitting, training and set-up for operations.

ITEM 12 - TERRITORY

MORE SPACE PLACE

The Franchise Agreement is granted for a protected territory (the "Territory"), which is identified and approved by us, as an attachment to the Franchise Agreement (as part of Exhibit "B"). We will grant to you the right to operate one Franchised Business only at a specific location, which has been previously approved by us, within the Territory under the Franchise Agreement. We will not ourselves, nor grant the right to any other party, own or operate a More Space Place® franchise within the Territory. Although no other Franchised Business will be physically located within your Territory, your Territory may overlap with those of other franchisees or affiliate-owned locations. The Territory will be an area determined by us containing an estimated minimum population of at least one hundred and fifty thousand (150,000) people and will be described by us in a way that we will determine, by geographical boundaries, political subdivisions, streets and highways, distances or postal zip codes. Unless you fail to open within the time periods, agreed to in the Franchise Agreement, we will not alter the Territory throughout the term of the Franchise Agreement. There is no minimum sales quota required to retain the rights to the Territory and you maintain rights to your area even if the population increases.

You are not limited to providing products and services to customers located only inside of your Territory. However, you may not advertise for or solicit for orders outside of your Territory, (except through the NAP). If you are providing products or services within another franchisee's Territory, it is a violation of the Franchise Agreement if you do not notify us and the affected franchisee before the sale occurs. In our sole discretion, you may be required to cooperate with

that franchisee, share in the installation, share any financial compensation, or give the job to the other franchisee.

We do not offer franchisees any option, right of first refusal or any similar right to acquire additional franchises within the Territory or contiguous territories.

CLOSET & STORAGE CONCEPTS

You will receive a protected territory identified in the Franchise Agreement in which to operate your Closet & Storage Concepts business (the "Territory"). We have not established a minimum Territory to be granted to each franchisee. The designation of a protected territory will vary from location to location and will depend upon population density (which will affect the amount of the Initial Franchise Fee and the Royalty you will pay), demographics, area, geographic size of counties or other governmental subdivisions in a particular trading area and proximity of competition. You are permitted to operate only one location in the Territory.

You are not permitted to operate your business at any location outside of the Territory. You are not permitted to establish additional locations in a contiguous territory. You will not be permitted to establish additional locations within your Territory without first obtaining our prior written consent. Before we will give this permission, we must determine that your Territory will support one or more additional locations. If we make this determination, you will have the right to establish an additional location under the procedures in the Franchise Agreement which you followed to establish your initial location.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. If we independently determine that your Territory will support an additional location and the opening of this additional location is desirable, you will have a 90 day right of first refusal to open the additional location. If you decide to open the additional location, you must open the location within 3 months after you make your decision under the procedures in the Franchise Agreement which you followed to establish your initial location. If within the 90 day period you decide not to open the additional location or, after you make a decision to open, you fail to open the additional location within 3 months, we will have the right to offer the additional location in your Territory to another prospective franchisee or to operate a company business at the additional location. The Franchise Agreement, will apply to each additional location that you establish. For purposes of determining Royalty fee and Local Advertising payments, Gross Revenues from all of your locations within a single Territory will be aggregated.

Except where we make a determination that your Territory will support additional locations (for which you will have the right of first refusal) or in a situation where you purchase a territory of under 1,000,000 individuals as described below, we will not (a) operate a business, (b) solicit customers, (c) grant franchises to operate a business similar to yours using the CSC Proprietary Marks or trade names or (d) permit other CSC franchisees to solicit customers within your protected territory.

Although you are not restricted as to the customers you may serve at your location, you are not permitted to solicit customers or operate a business located outside your Territory.

In certain situations an exception may apply to the protected Territory granted to you. If you are purchasing a territory with a population of less than 1,000,000 individuals, you may be granted a Territory within or over-lapping the Territory of a CSC franchise having a population in excess of 1,000,000 individuals with the consent of the CSC franchisee. This larger CSC franchise will be permitted to solicit customers from within your Territory. You may face competition from this larger CSC franchise. No other CSC franchisee will have this right. You will be able to solicit customers from within the Territory granted to the larger CSC franchise but not from within the Territory granted to any other CSC franchisee.

You do not have to meet minimum sales quotas in order to maintain your rights to the Territory. Except as described in this Item 12, CSC will not modify your territorial rights.

Except as otherwise set forth above, we do not offer franchisees any option, right of first refusal or any similar right to acquire additional franchises within the Territory or contiguous territories.

OTHER TERRITORIAL RIGHTS

Relocation Rights

The Franchise Agreement grants you the right to operate one More Space Place or Closet & Storage Concepts business at the specific location identified in the Franchise Agreement or subsequently identified and mutually acceptable to both you and us. If the lease term is shorter than the term of the Franchise Agreement and the lease cannot be renewed or extended, or you cannot continue for any other reason to occupy the premises of the Franchised Business, you must relocate your Franchised Business to a site mutually acceptable to you and us in order to complete the balance of the term of the Franchise Agreement. You must give us notice of your intent to relocate, must procure a site acceptable to us within 60 days after closing the prior location, and must open the new location for business within 180 days of closing the previous one. We may or may not agree to such relocation based upon various criteria including but not limited to: area demographics, estimated market demand and proximity to other Closet & Storage Concepts or More Space Place businesses. If you fail to comply with the relocation requirements, we may terminate the Franchise Agreement.

Rights We Retain

Whether you operate a More Space Place or Closet & Storage Concepts Business, you have no right to distribute any products or services offered by your Franchised Business through any alternate channels of distribution such as Internet, catalogs, telemarketing or direct marketing.

We and/or our affiliates reserve all other rights with respect to your Territory, which include but are not limited to: (i) the right to own, operate, franchise or license (whether in

connection with a merger or acquisition or otherwise), businesses of any type operating under names other than the Proprietary Marks, regardless of whether or not these other concepts offer products and services which are similar to or competitive with those offered by your Franchised Business and regardless of location and the right to convert those locations to Franchised Businesses; (ii) the right to distribute products and services in alternative channels of distribution both within and outside the Territory, (which alternative channels of distribution includes but is not limited to: sales of products at or through club stores, specialty stores, in addition to sales of products by mail order, catalog, or via the internet, and any similar outlets or distribution methods). We and our affiliates are under no obligation to pay you and compensation for selling similar products or services through other channels of distribution under the same and/or different proprietary marks within the Territory; (iii) the right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business, with locations anywhere, which may result in the required conversion of Franchised Businesses.

We and/or our affiliates retain the right to use and to license others to use the System for the operation and licensing of other More Space Place or Closet & Storage Concept businesses at any locations outside of the Territory.

ITEM 13 TRADEMARKS

If you purchase a More Space Place franchise, the following is a list of the principal trademarks that we currently license to you (the "MSP Proprietary Marks"). Except where indicated, the following principal Marks have been registered with the U.S. Patent and Trademark Office ("USPTO") on the Principal Register. You may not sublicense any Mark without our permission. This list may not be an exhaustive list of all Marks owned by us or our affiliates.

Mark	Registration/Serial Number	Registration Date
More Space Place	2873437	August 17, 2004
More Space Place (and Design)	2907818	December 7, 2004
America's Murphy Bed Store	2968908 (Supplemental Registry)	July 12, 2005
INVISI-BORE	4189204	August 14, 2012
WALL BED DOCTORS	4311745	April 2, 2013
Make Room for Life	4660379	December 23, 2014
WE MAKE ROOM FOR LIVING	4490620	March 4, 2014
MORE SPACE PLACE (plus design)	4494104	March 11, 2014
MORE SPACE PLACE	4474498	January 28, 2014
AMERICA'S MURPHY BED STORE	4954467	May 10, 2016
MURPHY BED CENTER (and Design)	5194924	May 2, 2017
Design of Wall Mounted Bed	5185422	April 18, 2017
GOT SPACE?	(serial) 87183523	Pending

If you purchase a Closet & Storage Concepts franchise, the following is a list of the principal trademarks that we currently license to you (the "CSC Proprietary Marks"). The following principal Marks have been registered with the U.S. Patent and Trademark Office ("USPTO") on the Principal Register. You may not sublicense any Mark without our permission. This list may not be an exhaustive list of all Marks owned by us or our affiliates.

Mark	Registration Number	Registration Date
Closet & Storage Concepts	2320421	February 22, 2000
Closet & Storage Concepts (plus design)	4271254	January 8, 2013
Conquer Closet Clutter	2295417	November 30, 1999
GETTING ORGANIZED IS ALWAYS IN STYLE	3033795	December 27, 2005
GETTING ORGANIZED IS ALWAYS IN STYLE!	5094072	December 6, 2016
GOT SPACE?	(serial) 87183523	Pending

As noted above, we do not currently have a federal registration for all of our Marks. Therefore, some of our Marks do not have as many legal benefits and rights as those with federal registration. If your right to use these Marks is challenged, you may have to cease using them, which may increase your expenses.

The MSP Proprietary Marks and the CSC Proprietary Marks are collectively referred to as the "Proprietary Marks". We also own and claim common law trademark rights in the trade dress used in your Franchised Business. Our common law trademark rights and trade dress are also included as part of the Proprietary Marks. All required affidavits and renewals pertaining to the Proprietary Marks have been filed. There are no agreements currently in effect that significantly limit our right to use or license the use of the Proprietary Marks in any manner material to the franchise.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the Proprietary Marks, nor any pending infringement, opposition, or cancellation proceedings or material litigation involving the Proprietary Marks.

Your rights to the Proprietary Marks are derived solely from your Franchise Agreement. You may have the right to potentially use future trademarks that we may subsequently license to you. You will only use the Proprietary Marks as we authorize. In using the Proprietary Marks, you must strictly follow our rules, standards, specifications, requirements and instructions which may be modified by us in our discretion. All goodwill associated with the Proprietary Marks remains our exclusive property. You cannot contest our ownership of the Proprietary Marks. You may not use the Proprietary Marks with any unauthorized product or service or in any way not explicitly authorized by the Franchise Agreement or that we may otherwise approve. When

your Franchise Agreement expires or terminates, all rights for you to use the Proprietary Marks shall cease and you shall not maintain any rights to use any Proprietary Mark. You cannot use any other marks, names, commercial symbols or logo type in connection with the operation of the Franchised Business.

You cannot use the Proprietary Marks (or any variation of the Proprietary Marks) as part of a corporate name, domain name, homepage, email address, or on a website or with modifying words, designs or symbols except for those which we license to you. You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You may not apply for any trademark.

In the event of any infringement of, or challenge to, your use of any of the Proprietary Marks, you must immediately notify us, and we will have sole discretion to take such action as deemed appropriate. You must not communicate with any person other than your legal counsel, us and our legal representative in connection with any infringement challenge or claim. We will indemnify and hold you harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from your conforming use of the Proprietary Marks in accordance with the Franchise Agreement or as otherwise set forth by us in writing, if you have notified us promptly of the claim. We reserve the right, under the Franchise Agreement, to substitute add or change the Proprietary Marks for use in identifying the System and the businesses operating under the System if the current Proprietary Marks no longer can be used, or if we, in our sole discretion, determine that a change Proprietary Marks will be beneficial to the System. If we change any of the Proprietary Marks, you must bear the cost and expense of all changes at your Approved Location (for example, changing signage, business cards, etc.).

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered copyrights or patents which are material to the franchise, but claim common law protection for many aspects of our business including, without limitation, our Operations Manual and other manuals, advertising and promotional material, and training materials and programs, proprietary computer software, architectural plans and designs, web sites and web pages, and other written material we develop to assist you in development or operations.

There are no currently effective determinations of the United States Copyright Office, the USPTO or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of our copyrighted materials. We are not required by any agreement to protect or defend copyrights or to defend you against claims arising from your use of patented or copyrighted items or to participate in your defense or indemnify you

You do not acquire any interest in our confidential information, other than the right to utilize it in the operation of your Franchised Business during the term of the Franchise

Agreement. You may never during the Term, including any renewal, of the Franchise Agreement, or after the Franchise Agreement expires or is terminated, reveal any of our confidential information to another person or entity, or use our confidential information for the benefit of any other person or entity. You may not copy, record or otherwise reproduce any of our confidential information except as we may authorize. All employees must execute a Confidentiality Agreement in the form we require. Our current form of Confidentiality Agreement is attached as Exhibit 3 to the Franchise Agreement. Additionally, spouses of owners must execute the version entitled Confidentiality, Non Disclosure and Non-compete Agreement. All executed agreements must be forwarded to us to ensure compliance.

Our confidential information includes, but is not limited to the production, preparation (including but not limited to specifications, checklists and techniques), equipment, merchandising, marketing, displays, and pricing for any of the products or services sold or distributed through the System as well as computer software, applications or similar technology proprietary to us or the System. It also includes our methods of business practices and management, Operations Manual and other manuals, advertising and promotional material, and training materials and programs.

All new products, items, services and other developments, whether they be of our original design or variations of existing services or techniques or your or your employee's original design or variations of existing services or techniques, will be deemed works made for hire and we will own all rights in them. If they do not qualify as works made for hire, you will assign ownership to us under the Franchise Agreement. You will not receive any payment or adjustment in connection with any new products, items, services or developments.

We will own all business records with respect to customers of your Franchised Business, including any databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, e-mail addresses, customer purchase records, and all other similar records that you create and maintain in connection with the operation of your Franchised Business. At all times during and after the termination or expiration of your franchise agreement, we may access such business records and may utilize, transfer or analyze such records as we determine, in our sole discretion, to be in the best interest of the System.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We strongly recommend that you personally participate in the operation of your Franchised Business. The Franchised Business must be operated by either yourself (if an individual), one of your principal owners (if you are an entity) or a designated manager. Both the franchisee and the designated manager must satisfactorily attend and complete our training program. Personal attention by you and/or the designated manager is critical to the success of your Franchised Business. Your designated manager need not have any equity interest in the franchise. Either you or your designated manager must furnish full-time attention and best

efforts to the management of the Franchised Business and personally supervise the Franchised Business.

You may not change or otherwise replace the designated manager of your Franchised Business without our prior written approval. If your relationship with your designated manager terminates or materially changes, you will be required to promptly designate a new designated manager. Any replacement designated manager is subject to our prior written approval, and he or she must successfully complete our initial training program before being responsible for the day to day management of your Franchised Business. You must pay the charges that we establish for training programs furnished to any individual who replaces a previously trained designated manager.

You will disclose to your designated manager only the information needed to operate the Franchised Business and the designated manager will be advised that any confidential information is our trade secret.

In addition, your designated manager and all employees will be required to execute our Confidentiality Agreement. Our current form of Confidentiality Agreement is attached as Exhibit 3 to the Franchise Agreement. Spouses of owners must execute the version entitled Confidentiality, Non-Disclosure and Non-compete Agreement. Executed copies must be forwarded to us to ensure compliance.

If you are an entity, you must be a single purpose entity and you cannot operate any other business using your entity name.

In the event we must operate the Franchised Business in order to prevent an interruption in operation due to your (or your Principal's) death or disability, or if we determine that you are otherwise unable to adequately operate the Franchised Business, we have the right to step in and manage your business for as long as we deem necessary and you must pay our then-current management fee. In addition, you will also be required to pay our expenses and other fees in managing the Franchised Business, plus regular fees owed, such as royalties. You must hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You must pay all of our reasonable attorneys' fees and costs incurred.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Your franchise is limited to one location. We require you to limit your business to the operation of the Franchised Business. You may not conduct any other business or activity at the Approved Location without our prior written permission. You may only sell products at retail and may not engage in the wholesale sale or distribution of any product. You are not permitted to sell or distribute any products at any location other than your Approved Location, or through the use of the Internet or any other channel of distribution,

You may only offer or sell products and services that are approved by us and must offer for sale certain products and services as designated by us. We may add, delete or alter approved products and services that you are required or allowed to offer in our reasonable discretion. There are no limits on our right to do so. You must discontinue selling and offering any products, services or items that we, in our sole discretion, disapprove in writing at any time. On a case-by-case basis, we may allow you or other franchisees to offer additional services, products or programs that are not otherwise part of the franchise System. We will decide which franchisees can offer additional services and products based on test marketing, the franchisees' qualifications and operational history, differences in regional or local markets and other factors.

We have the right to set restrictions on the pricing of all products and services that are sold or distributed.

In offering products for sale, you may only use products, materials, supplies, uniforms, fixtures, furnishings, signs and equipment approved by us and must follow exact methods of product preparation and installation that meet our requirements. You may not deviate from our requirements, standards or specifications without our prior written consent. You cannot create unapproved rewards or loyalty programs.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the Franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

MORE SPACE PLACE FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
a.	Term of franchise	2.1	10 years
b.	Renewal or extension of the term	2.2	You have the right to renew the franchise for an additional 10-year term.

MORE SPACE PLACE FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
c.	Requirements for you to renew or extend	2.2.	You may renew if you: (i) have notified us of your election to renew not less than six (6) months; nor more than twelve (12) months before the expiration of the franchise agreement(s), (ii) have the right to lease the premises for an additional 10 years (or have secured substitute premises); (iii) have completed all maintenance and refurbishing required by us; (iv) are not in default of any agreement between you and us or our affiliates, have not been in material default during the Term and have substantially complied with all agreements during their term; (v) have satisfied all monetary obligations owed to us and/or our affiliates; (vi) have executed our then-current form of Franchise Agreement; (vii) have executed a release of any and all claims against us, our affiliates, and our shareholders, officers, directors, agents, employees, attorneys and accountants arising out of or related to the Franchise Agreement or any related agreement; and (viii) paid the renewal fee. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d.	Termination by you	9.1	You must give us 90 days written notice to cure any default within 60 days of the event or circumstances giving rise to the breach. You must be in material compliance. If we fail to cure any material breach within the 90 day cure period, you may terminate for that reason by written notice, except if the breach is not susceptible to cure within 90 days, but we take action within 90 days to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, we will be deemed to have timely cured the breach.
e.	Termination by Franchisor without cause	No provision	Not applicable

MORE SPACE PLACE FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
f.	Termination by Franchisor with cause	9.2	We have the right to terminate the Franchise Agreement with cause. Depending upon the reason for termination, We do not have to provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g.	Cause defined-default which can be cured	8.2.1	We have the right to terminate the Franchise Agreement, (i) after a 7 day cure period if your failure to comply with the Franchise Agreement relates to the Proprietary Marks; (ii) after a 7-day cure period or time permitted by an agency citation if shorter, if a threat or danger to the public health or safety exists; except you must correct violation immediately if it is possible to do so; (iii) after a 15-day cure period upon your failure to pay any sums owed to us or our affiliate; or (iv) after a 30 day cure period upon your failure to pay any sums owed to a third party other than us or our affiliates or upon your failure to comply with any other provision not listed above or listed below as a non-curable default, except if the breach is not susceptible to cure within the applicable cure period, but you take action within the cure period to begin curing the breach and act diligently to complete the corrective action within a reasonable time, you will be deemed to have timely cured the breach.
h.	Cause defined – default which cannot be cured	8.2.2	We have the right to terminate the Franchise Agreement without providing you an opportunity to cure if: (i) you commit any criminal acts involving moral turpitude or other criminal acts which may affect the reputation of the Franchised Business, or goodwill of the Proprietary Marks; (ii) you are convicted or plea of guilty or nolo contendre of a felony; (iii) you commit fraud in the operation of your Franchised Business; (iv) you misrepresent yourself in any way (including through omission of information) in connection with your franchise application; (v) you file for bankruptcy or are adjudicated a bankrupt; (vi) insolvency proceedings are commenced against you; (vii) you are the subject of a lien; (viii) you

			become insolvent; (ix) you or your principals materially breach any other agreements with us or our affiliates; (x) we send you 3 or more written notices to cure within one 12-month period; (xi) you intentionally underreport or misstate any information required to be reported to us; (xii) you voluntarily or otherwise abandon the Franchised Business; (xiii) you fail to open the Franchised Business; (xiv) you lose the right to occupy the Premises of your Approved Location as a result of a breach of your lease agreement; (xv) you use the Confidential Information in an un-authorized manner; (xvi) you fail to maintain insurance; and (xvii) any unauthorized transfer.
i.	Your obligations on termination/non-renewal	10.1	You must cease operation of the Franchised Business, pay all unpaid fees, discontinue using the Proprietary Marks, return the Operations Manual and all other confidential information to , transfer your business telephone numbers to us or our designee, surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks and all items which are part of the System trade dress, sell to us any furnishings, equipment, signs or fixtures which we elect to purchase, and, at our option, assign to us any interest you have in the lease or sublease for the Franchised Business's premises or, in the event we do not elect to exercise our option to acquire the lease, modify or alter the Franchised Business's premises as may be necessary to distinguish it from a More Space Place outlet under the System; assign us all customer contracts and deposit monies; cease to hold yourself out as a franchisee; cancel any assumed names containing the Proprietary Marks; permit final inspection of books and records; comply with post termination restrictive covenants.
j.	Assignment of contract by Franchisor	8.6	We have the unrestricted right to sell, transfer, assign and/or encumber all or any part of our interest in the Franchise Agreement or ourselves.
k.	"Transfer" by you – definition	8.3	A sale, transfer or assignment is deemed to occur if: (i) you are a corporation or limited liability company, upon any assignment, sale, pledge or transfer or increase of 20% or more of your voting stock; any increase in the number of outstanding voting shares which result in a change of

			ownership of 20% or more of the total voting stock; or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of your voting stock; (ii) if you are a partnership, upon the assignment, sale, pledge or transfer of 20% or more of any partnership ownership interest or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of the partnership interest.
l.	Franchisor's approval of transfer by franchisee	8.1	You may not sell, transfer, assign or encumber your interest in the Franchised Business or your rights under the Franchise Agreement without our prior written consent.
m.	Condition for Franchisor's approval of transfer	8.3.2	Approval to sell or transfer your franchise may be conditioned upon the following: (i) satisfaction of all monetary obligations to us, our affiliates, or suppliers; (ii) the timely cure of all existing defaults under the Franchise Agreement; (iii) execution of a general release; (iv) execution of Consent to Transfer; and (v) providing us with a copy of the executed purchase agreement relating to the proposed transfer. The proposed transferee must have demonstrated to us that he or she meets our standards, possesses good moral character, business reputation and credit rating, has the aptitude to operate the Franchised Business and has adequate financial resources to conduct the business. The transferee must have executed our then-current Franchise Agreement, you or the transferee have paid to us the transfer fee, and the transferee and its designated manager must have completed our initial training program. Your post-termination covenants will remain.
n.	Franchisor's right of first refusal to acquire your business	8.3.1	If you propose to transfer or assign 20% or more of your interest in the Franchise Agreement or the Franchised Business to a third party, you must first offer us the option to purchase your franchise upon the same terms as those offered by the third party.
o.	Franchisor's option to purchase your business	10.1.7	If the Franchise Agreement is terminated, we have the limited right to purchase usable inventory and any items containing the Proprietary Marks at the lesser of cost or its then-current value.

p.	Your death or disability	8.2	If you die or become disabled or incapacitated, your executor, heir or legal representative must obtain approval to continue as the franchisee within 180 days from the date of your death, disability or incapacity.
q.	Non-competition covenants during the term of the franchise	7.4.1	Neither you nor your partners, shareholders, members or managers, nor immediate family members may have any interest in any other business which principally offers or sells the products and/or services offered by More Space Place System locations (a "Competing Business").
r.	Non-competition covenants after the franchise is terminated or expires	7.4.2	The Franchise Agreement limits your right and the rights of your partners, shareholders, members, managers and immediate family members, for 2 years following the date of the expiration and non-renewal, transfer or termination of the Franchise Agreement: (i) to own, engage in, be employed or have any interest in any Competing Business inside the Territory; within 20 miles of the Territory; or within 20 miles of any other More Space Place and Closet & Storage Concepts territories; (ii) to solicit business from former customers of your Franchised Business for any competitive business purpose or to solicit employees of us, our affiliates or other System franchisees; or (iii) to own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing with us.
s.	Modification of this agreement	12.1	The Franchise Agreement may only be modified by written amendment signed by both parties.
t.	Integration/merger clauses	12.1	The Franchise Agreement is the entire agreement between the parties.
u.	Dispute resolution by arbitration or mediation	No Provision	Not applicable.
v.	Choice of forum	12.2	All actions must be commenced in the Courts of then-current State and County where our corporate headquarters is located (currently Camden County, New Jersey, or the United States District Court, District of New Jersey) (subject to applicable state law)
w.	Choice of law	12.2	New Jersey law applies (subject to applicable state law).

CLOSET & STORAGE CONCEPTS FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
a.	Term of franchise	9.01	10 years
b.	Renewal or extension of the term	9.02	If you are not in default under the franchise agreement and you notify CSC not less than six (6) months; nor more than twelve (12) months before the expiration of the franchise agreement(s), pay the renewal fee and meet all conditions to obtain the renewal before expiration you can renew the term for an additional 10 years.
c.	Requirements for you to renew or extend	9.05	Have satisfied all monetary obligations, sign a new franchise agreement which may contain materially different terms and conditions than your original agreement; pay fee; remodel; obtain necessary licenses; execute a release and renew lease or sign a lease for new location.
d.	Termination by you	8.01	You must give us 90 days written notice to cure any default within 60 days of the event or circumstances giving rise to the breach. You must be in material compliance. If we fail to cure any material breach within the 90 day cure period, you may terminate for that reason by written notice, except if the breach is not susceptible to cure within 90 days, but we take action within 90 days to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, we will be deemed to have timely cured the breach.
e.	Termination by Franchisor without cause	No provision	Not applicable
f.	Termination by Franchisor with cause	Sections 8.02 and 8.05	We have the right to terminate the Franchise Agreement with cause. Depending upon the reason for termination, We do not have to provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g.	Cause defined – default which can be cured	Sections 8.2.1	We have the right to terminate the Franchise Agreement, (i) after a 7 day cure period if your failure to comply with the Franchise Agreement relates to the Proprietary Marks; (ii) after a 7-day cure period or time permitted by an agency citation if shorter, if a threat or danger to the public health or safety exists; except you must correct violation immediately if it is possible to do so; (iii) after a 15-day cure period upon your failure

CLOSET & STORAGE CONCEPTS FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
			to pay any sums owed to us or our affiliate; or (iv) after a 30 day cure period upon your failure to pay any sums owed to a third party other than us or our affiliates or upon your failure to comply with any other provision not listed above or listed below as a non-curable default, except if the breach is not susceptible to cure within the applicable cure period, but you take action within the cure period to begin curing the breach and act diligently to complete the corrective action within a reasonable time, you will be deemed to have timely cured the breach.
h.	Cause defined – default which cannot be cured	Sections 8.2.2	We have the right to terminate the Franchise Agreement without providing you an opportunity to cure if: (i) you commit any criminal acts involving moral turpitude or other criminal acts which may affect the reputation of the Franchised Business, or goodwill of the Proprietary Marks; (ii) you are convicted or plea of guilty or nolo contendre of a felony; (iii) you commit fraud in the operation of your Franchised Business; (iv) you misrepresent yourself in any way (including through omission of information) in connection with your franchise application; (v) you file for bankruptcy or are adjudicated a bankrupt; (vi) insolvency proceedings are commenced against you; (vii) you are the subject of a lien; (viii) you become insolvent; (ix) you or your principals materially breach any other agreements with us or our affiliates; (x) we send you 3 or more written notices to cure within one 12-month period; (xi) you intentionally underreport or misstate any information required to be reported to us; (xii) you voluntarily or otherwise abandon the Franchised Business; (xiii) you fail to open the Franchised Business; (xiv) you lose the right to occupy the Premises of your Approved Location as a result of a breach of your lease agreement; (xv) you use the Confidential Information in an un-authorized manner; (xvi) you fail to maintain insurance; and (xvii) any unauthorized transfer.

i.	Your obligations on termination/non-renewal	8.07	You must cease operation of the Franchised Business, pay all unpaid fees, discontinue using the Proprietary Marks, return the Operations Manual and all other confidential information to , transfer your business telephone numbers to us or our designee, surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks and all items which are part of the System trade dress, sell to us any furnishings, equipment, signs or fixtures which we elect to purchase, and, at our option, assign to us any interest you have in the lease or sublease for the Franchised Business's premises or, in the event we do not elect to exercise our option to acquire the lease, modify or alter the Franchised Business's premises as may be necessary to distinguish it from a Closet & Storage Concepts outlet under the System; assign us all customer contracts and deposit monies; cease to hold yourself out as a franchisee; cancel any assumed names containing the Proprietary Marks; permit final inspection of books and records; comply with post termination restrictive covenants.
j.	Assignment of contract by Franchisor	7.11	We have the unrestricted right to sell, transfer, assign and/or encumber all or any part of our interest in the Franchise Agreement or ourselves.
k.	"Transfer" by you – definition	7.01	A sale, transfer or assignment is deemed to occur if: (i) you are a corporation or limited liability company, upon any assignment, sale, pledge or transfer or increase of 20% or more of your voting stock; any increase in the number of outstanding voting shares which result in a change of ownership of 20% or more of the total voting stock; or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of your voting stock; (ii) if you are a partnership, upon the assignment, sale, pledge or transfer of 20% or more of any partnership ownership interest or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of the partnership interest.
l.	Franchisor's approval of transfer by franchisee	Sections 7.02, 7.03, 7.04 and 7.06	You may not sell, transfer, assign or encumber your interest in the Franchised Business or your rights under the Franchise Agreement without our prior written consent.

m.	Condition for Franchisor's approval of transfer	Sections 7.02, 7.04, 7.05 and 7.06	Approval to sell or transfer your franchise may be conditioned upon the following: (i) satisfaction of all monetary obligations to us, our affiliates, or suppliers; (ii) the timely cure of all existing defaults under the Franchise Agreement; (iii) execution of a general release; (iv) execute Consent to Transfer and (v) providing us with a copy of the executed purchase agreement relating to the proposed transfer. The proposed transferee must have demonstrated to us that he or she meets our standards, possesses good moral character, business reputation and credit rating, has the aptitude to operate the Franchised Business and has adequate financial resources to conduct the business. The transferee must have executed our then-current Franchise Agreement, you or the transferee have paid to us the transfer fee, and the transferee and its designated manager must have completed our initial training program. You must adhere to all post termination covenants.
n.	Franchisor's right of first refusal to acquire your business	7.03	If you propose to transfer or assign 20% or more of your interest in the Franchise Agreement or the Franchised Business to a third party, you must first offer us the option to purchase your franchise upon the same terms as those offered by the third party.
o.	Franchisor's option to purchase your business	8.07	If the franchise is terminated we have the option to purchase from you all or any part of your inventory of genuine franchise products as we shall decide at the current price being charged by us for such products less reasonable allowance for restoration, obsolescence or deterioration.
p.	Your death or disability	7.07	If you die or become disabled or incapacitated, your executor, heir or legal representative must obtain approval to continue as the franchisee within 180 days from the date of your death, disability or incapacity.
r.	Non-competition covenants after the franchise is terminated or expires	3.04	The Franchise Agreement limits your right and the rights of your partners, shareholders, members, managers and immediate family members, for 2 years following the date of the expiration and non-renewal, transfer or termination of the Franchise Agreement: (i) to own, engage in, be employed or have any interest in any Competing Business inside the Territory; within 20 miles of the Territory, or within 20 miles of other Closet & Storage

			Concepts and More Space Place Territories; (ii) to solicit business from former customers of your Franchised Business for any competitive business purpose or to solicit employees of us, our affiliates or other System franchisees; or (iii) to own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing with us.
s.	Modification of this agreement	10.9	The Franchise Agreement may only be modified by written amendment signed by both parties.
t.	Integration/merger clauses	10.9	The Franchise Agreement is the entire agreement between the parties.
u.	Dispute resolution by arbitration or mediation	8.09	Not applicable
v.	Choice of forum	10.11	All actions must be commenced in the Courts of then-current State and County where our corporate headquarters is located (currently Camden County, New Jersey, or the United States District Court, District of New Jersey) (subject to applicable state law)
w.	Choice of law	10.11	New Jersey law applies (subject to applicable state law).

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote Franchises.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in this Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

MORE SPACE PLACE

2016 Results-More Space Place

This section represents the results of seven More Space Place locations operating in the United States as of December 31, 2016. As of December 31, 2016 there were twenty-six More Space Place locations operating in the United States. Of the twenty-six locations, fifteen met these criteria to be considered representative of the franchise offered:

(a) Open for at least 2 years as of 12/31/16, thus considered mature;
(b) Operating for the full twelve months of 2016
(c) Operating under the same ownership for the full 12 months of 2016
(d) Operating from a dedicated retail showroom location staffed full time

Surveys were sent to all fifteen franchisees and seven responded. The data presented in this section represents the performance of those seven franchised US locations. All were franchisee owned and purchased all products ready to install from us. The financial data provided by franchisees is based on financial statements, which include work in progress and deposits received on orders in addition to completed jobs and installation charges.

MORE SPACE PLACE 2016	2016 Average	2016 Median	Percent of Revenues
Gross Revenues	$1,311,615	$1,132,876	100.0%
Cost of Sales	$460,325	$409,037	35.1%
Gross Margin	$851,290	$760,558	64.9%
Overhead Operating Costs (Including Royalty and NAP)	$687,429	$646,619	52.4%
EBITDA	$163,861	$114,319	12.5%

During the year ended December 31, 2016 three of the locations (42.9%) attained or surpassed the average gross revenue of $1,311,615. During the year ended December 31, 2016 two of the locations (28.6%) attained or surpassed the average EBITDA after Franchise Costs of $163,861.

For the year ended December 31, 2016, the range of individual unit performance was as follows:

MORE SPACE PLACE 2016	Highest Performance By Category	Lowest Performance By Category
Gross Revenues	$2,373,506	$659,614
Gross Margin	$1,611,753	$386,575
Gross Margin %	67.9%	58.6%
EBITDA %	24.5%	2.3%

2017 Results-More Space Place

This section represents the revenue results of sixteen More Space Place locations operating in the United States as of December 31, 2017. As of December 31, 2017, there were twenty-eight More Space Place locations operating in the United States. Of these twenty-eight locations sixteen met these criteria to be considered representative of the franchise offered:

a. Open for at least two years as of 12/31/17, thus considered mature
b. Operating for the full 12 months of 2017
c. Operation under the same ownership for the full 12 months of 2017
d. Operating from a dedicated retail showroom location staffed full time

The data presented in the table below represents the performance of all sixteen franchised More Space Place franchised US locations meeting the above criteria based on royalty payments and sales reporting for 2017. The information provided with royalty and sales reporting is based only on completed jobs and installation charges. It does not include work in progress or any deposits received on orders.

MORE SPACE PLACE 2017	2017 Gross Revenue Average	2017 Gross Revenue Median
Locations Open 2 years or longer (16 locations)	$1,023,361	$938,940
Locations Open 5 years or longer (13 locations)	$1,108,686	$1,092,986

During the year ended December 31, 2017 eight of the locations open two years or longer (50%) attained or surpassed the average gross revenue of $1,023,361. During the year ended December

31, 2017 six of the locations open five years or longer (46.2%) attained or surpassed the average revenue of $1,108,686.

CLOSET & STORAGE CONCEPTS

2016 Results-Closet & Storage Concepts

This section represents the revenue results of four franchised Closet & Storage Concepts locations operating in the United States as of December 31, 2016. As of December 31, 2016, there were eleven Closet & Storage Concepts locations operating in the United States. Of these eleven locations, two were company owned and nine were franchisee owned. Of the nine franchisee owned locations, four met these criteria to be considered representative of the franchise offered:

a. Open for at least two years as of 12/31/16, thus considered mature
b. Located in a market containing at least 1 million people
c. Operating for the full 12 months of 2016
d. Operation under the same ownership for the full 12 months of 2016

Surveys were sent to all four qualifying franchisees and all four responded. The data presented in this section represents the performance of those four franchised US locations. The financial data is based on financial statements, which include work in progress and deposits received on orders in addition to completed jobs and installation charges.

CLOSET AND STORAGE CONCEPTS 2016	2016 Average For all qualifying locations	2016 Median For all qualifying locations	Percent of Revenues	2016 Average (3 Locations open five years or longer)	2016 Median (3 Locations open five years or longer)
Gross Revenues	$1,735,414	$1,847,259	100.0%	$2,071,302	$1,549,426
Cost of Sales	$439,847	$437,402	25.3%	$532,650	$602,210
Gross Margin	$1,295,567	$1,409,857	74.7%	$1,538,652	$1,542,882
Overhead Operating Costs (excluding Royalty)	$872,106	$851,719	50.3%	$1,002,619	$708,983

EBITDA (before Royalty payments)	$423,461	$520,125	24.4%	$536,033	$543,428
Royalty	$86,771	$92,363	5.0%	$103,565	$107,255
EBITDA	$336,691	$403,513	19.4%	$432,468	$436,173

During the year ended December 31, 2016 two locations open two years or longer attained (50%) or surpassed the average revenue of $1,735,414; three locations open two years or longer (75%) attained or surpassed the average EBITDA of $336,691.

During the year ended December 31, 2016 two locations open five years or longer (66.6%) attained or surpassed the average revenue of $2,071,302; two locations open five years or longer (66.6%) attained or surpassed the average EBITDA of $432,468.

The following table summarizes certain average advertising performance measurements for the locations included in the above for the year ended December 31, 2016:

All qualifying Locations	2016 Average
Advertising Cost	$85,304
Number of Appointments	884
Number of Sales	633
Closing Rate	71.6%
Average Sale	$3,322

2017 Results-Closet & Storage Concepts

This section represents the revenue results of 5 franchised Closet & Storage Concepts locations operating in the United States as of December 31, 2017. As of December 31, 2017, there were 11 Closet & Storage Concepts locations operating in the United States. Of these 11 locations, 2 were company owned and nine were franchisee owned. Of the 9 franchisee owned locations, 5 met these criteria to be considered representative of the franchise offered:

a. Open for at least two years as of 12/31/17, thus considered mature
b. Located in a market containing at least 1 million people
c. Operating for the full 12 months of 2017
d. Operation under the same ownership for the full 12 months of 2017

The data presented in the table below represents the performance of all 5 franchised Closet & Storage Concepts franchised US locations meeting the above criteria based on royalty payments and sales reporting for 2017. The information provided with royalty and sales reporting is based only on completed jobs and installation charges. It does not include work in progress or any deposits received on orders.

CLOSET & STORAGE CONCEPTS 2017	2017 Gross Revenue Average	2017 Gross Revenue Median
Locations Open 2 years or longer (5 locations)	$1,565,235	$1,572,980
Locations Open five years or longer (3 locations)	$2,052,863	$1,572,980

During the year ended December 31, 2017 three of the locations open two years or longer (60%) attained or surpassed the average revenue of $1,565,235. During the year ended December 31, 2017 one pf the locations open five years or longer (33.3%) attained or surpassed the average revenue of $2,052,863.

Notes:

The aforementioned criteria for Closet & Storage Concepts includes businesses located only in markets containing at least 1 million people as we no longer sell in smaller markets. Additionally, only locations that have been operational for at least twenty-four months are considered mature because during the first twelve months a Franchised Business is developing and growing its client base. The product involves large purchases and/or custom design work and the sales cycle can be longer than on a typical consumer retail purchase. Further, repeat and referral business is an important factor in this business.

As used herein the following terms are defined as follows:

"Gross Revenue" includes the total gross revenue derived by a franchisee from the operation of the Franchised Business whether from sales for cash or credit, including sales of both franchise products and services, and including installation charges, exclusive of all sales taxes, use taxes, gross receipts taxes and other similar taxes added to the sales price and collected from the customer, and less any bona fide refunds, rebates, and discounts.

"Cost of Sales" for the More Space Place chart includes the cost of the manufactured components, including its manufacturing labor plus inbound freight to the franchisee's location. For the Closet and Storage Concepts chart it includes the cost of the raw materials plus inbound freight to the franchisee's location. It does not include the cost to manufacture the components. It does not include labor to manufacture the components.

"Gross Margin" is the Gross Revenue minus Costs of Sales.

"EBITDA" (Earnings Before Interest, Taxes, Depreciation and Amortization) does not include a provision for income tax or non-cash expenses (depreciation and amortization). It also does not include a reserve for capital expenditures.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

The information presented in this Item 19 is unaudited.

The profits reflected in the above table do not necessarily reflect all operating expenses relevant to a franchised business. Royalty and advertising expenses are considered. They do not include, for example, taxes, interest charges, or owner compensation. When preparing a pro forma for your franchised location, you will have to identify and plan for these additional expenses.

Written substantiation for the representations in this Item 19 will be made available to a prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Closets Unlimited of New Jersey, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Robert Lewis, 436 Commerce Lane, Suite D, West Berlin, NJ 08091, (856) 627-5700, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
System wide Outlet Summary for Fiscal Years Ended December 31, 2015, December 31, 2016 & December 31, 2017

MORE SPACE PLACE				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
FRANCHISED	2015	24	25	+1
	2016	25	26	+1
	2017	26	28	+2
COMPANY-OWNED	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
TOTAL OUTLETS	2015	24	25	+1
	2016	25	26	+1
	2017	26	28	+2

TABLE 1
Systemwide Outlet Summary for Fiscal Years Ended December 31, 2015, December 31, 2016 & December 31, 2017

CLOSET & STORAGE CONCEPTS				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
FRANCHISED	2015	6	7	+1
	2016	7	9	+2
	2017	9	9	0
COMPANY-OWNED	2015	2	2	0
	2016	2	2	0
	2017	2	2	0
TOTAL OUTLETS	2015	8	9	+1
	2016	9	11	+2
	2017	11	11	0

TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for Fiscal Years Ended December 31, 2015, December 31, 2016 & December 31, 2017

MORE SPACE PLACE		
State	**Fiscal Year**	**Number of Transfers**
FLORIDA	2015	1
	2016	0
	2017	0
TEXAS	2015	0
	2016	0
	2017	1
TOTAL	2015	1
	2016	0
	2017	1

TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for Fiscal Years Ended December 31, 2015, December 31, 2016 & December 31, 2017

CLOSET & STORAGE CONCEPTS		
State	**Fiscal Year**	**Number of Transfers**
ALL STATES	2015	0
	2016	0
	2017	0
TOTAL	2015	0
	2016	0
	2017	0

TABLE 3
Status of Franchised Outlets (other than the Franchisor) for Fiscal Years Ended December 31, 2015, December 31, 2016 & December 31, 2017

MORE SPACE PLACE								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations -Other Reasons**	**Outlets At End Of the Year**
COLORADO	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
FLORIDA	2015	10	1	0	0	0	0	11
	2016	11	1	0	0	0	0	12
	2017	12	0	0	0	0	0	12
GEORGIA	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
NEW HAMPSHIRE	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
NORTH CAROLINA	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
SOUTH CAROLINA	2015	3	1	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	1	0	0	0	0	5
TENNESSEE	2015	2	0	0	0	0	1	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
TEXAS	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	1	0	0	0	0	4
VIRGINIA	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
TOTALS	2015	24	2	0	0	0	1	25
	2016	25	1	0	0	0	0	26
	2017	26	2	0	0	0	0	28

TABLE 3
Status of Franchised Outlets (other than the Franchisor)
for Fiscal Years Ended December 31, 2015, December 31, 2016 & December 31, 2017

CLOSET & STORAGE CONCEPTS								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations -Other Reasons**	**Outlets At End Of the Year**
ARIZONA	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
CALIFORNIA	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
COLORADO	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
CONNECTICUT	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
MASSACHUSETTS	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
NEVADA	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
NEW JERSEY	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
NORTH CAROLINA	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
PENNSYLVANIA	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
TOTALS	2015	6	1	0	0	0	0	7
	2016	7	2	0	0	0	0	9
	2017	9	0	0	0	0	0	9

TABLE 4
Status of Company-Owned Outlets for Fiscal Years Ended December 31, 2015, December 31, 2016 & December 31, 2017

MORE SPACE PLACE								
State	**Year**	**Outlets at Start of Fiscal Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations -Other Reasons**	**Outlets At End Of the Year**
All STATES	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
TOTALS	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0

TABLE 4
Status of Company-Owned Outlets for Fiscal Years Ended December 31, 2015, December 31, 2016 & December 31, 2017

CLOSET & STORAGE CONCEPTS								
State	**Year**	**Outlets at Start of Fiscal Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations -Other Reasons**	**Outlets At End Of the Year**
NEW JERSEY	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
PENNSYLVANIA	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
TOTALS	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2

TABLE 5
Projected New Franchised Outlets as of December 31, 2017

MORE SPACE PLACE			
Column 1 **State**	**Column 2** **Franchise Agreements Signed But Outlet Not Open**	**Column 3** **Projected New Franchised Outlet In The Next Fiscal Year**	**Column 4** **Projected New Company Owned Outlet In The Next Fiscal Year**
FLORIDA	0	1	0
KENTUCKY	0	1	0
TOTALS	0	2	0

TABLE 5
Projected New Franchised Outlets as of December 31, 2017

CLOSET & STORAGE CONCEPTS			
Column 1 **State**	**Column 2** **Franchise Agreements Signed But Outlet Not Open**	**Column 3** **Projected New Franchised Outlet In The Next Fiscal Year**	**Column 4** **Projected New Company Owned Outlet In The Next Fiscal Year**
INDIANA	0	1	0
NEW JERSEY	0	0	1
TOTALS	0	1	1

A listing of More Space Place franchises held as of December 31, 2017 can be found in Exhibit E -1"List of Franchises." Exhibit E also lists the name, city and state, and business telephone number (or, if unknown, the last known telephone number) of every franchisee who had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

A listing of Closet & Storage Concepts franchises held as of December 31, 2017 can be found in Exhibit E -2 "List of Franchises." Exhibit E also lists the name, city and state, and business telephone number (or, if unknown, the last known telephone number) of every

franchisee who had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees were required to sign confidentiality clauses, restricting their ability to speak with you. There are no trademark specific organizations associated with the franchise system being offered.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit "F" are the audited financial statements for the Fiscal Years ending December 31, 2017, December 31, 2016 and December 31, 2015. Our fiscal year end is December 31st.

ITEM 22
CONTRACTS

The following agreements are included in this Disclosure Document:

More Space Place Franchise Agreement and the following Exhibits: (Exhibit B)

Exhibit 1	-	Territory
Exhibit 2	-	Form of Guaranty
Exhibit 3	-	Form of Confidentiality Agreement
Exhibit 4	-	Collateral Assignment of Lease
Exhibit 5	-	Form of Release
Exhibit 6	-	Disclosure Questionnaire
Exhibit 7	-	Business Location Agreement
Exhibit 8	-	Statement of Ownership Interest
Exhibit 9	-	Consent to Transfer
Exhibit 10	-	Assignment and Assumption Agreement
Exhibit 11	-	Telephone, Internet Websites and Listing Agreement
Exhibit 12	-	Electronic Transfer Authorization

Closet & Storage Concepts Franchise Agreement and the following Exhibits: (Exhibit C)

Exhibit 1	-	Territory
Exhibit 2	-	Form of Guaranty
Exhibit 3	-	Form of Confidentiality Agreement
Exhibit 4	-	Business Location Agreement
Exhibit 5	-	Form of Release
Exhibit 6	-	Collateral Assignment of Lease
Exhibit 7	-	Disclosure Questionnaire
Exhibit 8	-	Statement of Ownership Interest
Exhibit 9	-	Consent to Transfer

Exhibit 10	-	Assignment and Assumption Agreement
Exhibit 11	-	Telephone, Internet Websites and Listing Agreement
Exhibit 12	-	Electronic Transfer Authorization

State Addenda (Exhibit G)

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt for this disclosure document appear as the last pages of the disclosure document. Please date, sign, and return one copy to us and keep the other with this disclosure document for your records.

Exhibit A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Closets Unlimited of New Jersey, Inc.

STATE ADMINISTRATORS/
DESIGNATION OF AGENT FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. Where we are registered to sell franchises, we have appointed the state agency, or as noted below, a state officer, as our agent for service of process in the state. We may not yet be registered to sell franchises in any or all of the states listed. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

CALIFORNIA Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (866) 275-2677 Agent: California Commissioner of Business Oversight	NORTH DAKOTA North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712 Agent: North Dakota Securities Commissioner
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 Agent: Commissioner of Securities of the State of Hawaii	OREGON Department of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4387 Agent: Director of Oregon Department of Insurance and Finance
ILLINOIS Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 Agent: Illinois Attorney General	RHODE ISLAND Department of Business Regulation Division of Securities 1511 Pontiac Ave. John O. Pastore Complex Building 69-1 Cranston, RI 02920 (401) 462-9500 Agent: Director of Business Regulation
INDIANA Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681 Agent: Indiana Secretary of State Indiana Securities Division 201 State House Indianapolis, IN 46204	SOUTH DAKOTA Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563 Agent: Director, Division of Insurance-Securities Regulation

MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 Agent: Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 Agent: Clerk of the State Corporation Commission 1300 E Main St., 1st. Fl. Richmond, VA 23219 Tel: (804) 371-9733
MICHIGAN Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913 (517) 373-7177 Agent: Michigan Department of Commerce Corporations and Securities Bureau 6546 Mercantile Way Lansing, MI 48910	WASHINGTON Director Washington Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760 Agent: Securities Administrator, Director of Department
MINNESOTA Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600 Agent: Minnesota Commissioner of Commerce	WISCONSIN Securities Division of the Wisconsin Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 266-8559 Agent: Wisconsin Commissioner of Securities
NEW YORK NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236 Phone Agent for service: New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492	

Exhibit B

MORE SPACE PLACE FRANCHISE AGREEMENT

Closets Unlimited of New Jersey, Inc.

MORE SPACE PLACE
FRANCHISE AGREEMENT

MORE SPACE PLACE
FRANCHISE AGREEMENT

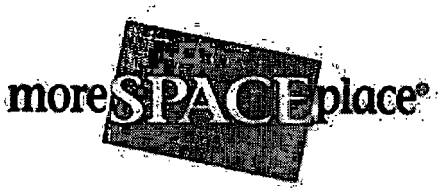

TABLE OF CONTENTS

Section		Page
1.	GRANT OF FRANCHISE	5
2.	TERM AND RENEWAL	8
3	FEES AND COSTS	10
4.	FRANCHISOR SERVICES	15
5.	FRANCHISE SYSTEM STANDARDS	17
6.	ACKNOWLEDGMENTS OF FRANCHISEE	27
7.	SALE OR TRANSFER	30
8.	BREACH AND TERMINATION	34
9.	RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION	37
10.	NOTICES	38
11.	INTERPRETATION	39
12.	REPRESENTATIONS	41
13.	PERSONAL GUARANTEES	43
14	OWNERSHIP OF FRANCHISE	43

Exhibits

Exhibit 1	-	Territory
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Exhibit 11	-	Telephone, Internet Websites and Listing Agreement
Exhibit 12	-	Electronic Transfer Authorization

MORE SPACE PLACE

FRANCHISE AGREEMENT

THIS AGREEMENT is entered into and made effective this _____ day of _____, 20___, by and between CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation with its principal business address at 436 Commerce Lane, Suite D, West Berlin, NJ 08091 ("Franchisor") and _____ _____, whose address is _____ ("Franchisee").

BACKGROUND

A. Franchisor and/or its predecessor or affiliate, through the expenditure of considerable money, time and effort, has developed a business system (the "More Space Place System" or the "System") for the operation of retail stores which offer a distinctive style of space-saving products through a uniform system, which includes: high standards of services, products, know-how and trade secrets; uniform specifications of products and services, equipment and fixtures; sales techniques, and merchandising, marketing, advertising, and management systems; quality and inventory control procedures; and procedures for operation and management of More Space Place businesses pursuant to the Operations Manual provided by Franchisor and modified from time to time and other standards and specifications Franchisor otherwise provides.

B. The System is identified by various trade names, trademarks and service marks used by Franchisor and its franchisees including, without limitation, the service mark "More Space Place®" and other identifying marks and symbols that Franchisor uses now or may later use as part of the System (the "Proprietary Marks"). The rights to all the Proprietary Marks shall be owned exclusively by Franchisor or its affiliate.

C. Franchisor is engaged in the business of granting franchises to qualified individuals and business entities to use the System to operate More Space Place franchises.

D. Franchisee has applied to Franchisor for a franchise to operate a More Space Place business using the System and Proprietary Marks and to receive the training, confidential information and other assistance Franchisor provides. Franchisor has approved Franchisee's application in reliance upon all of the representations made in the application.

E. By executing this Agreement, Franchisee acknowledges the importance of Franchisor's quality and service standards and agrees to operate Franchisee's business in accordance with those standards and as described in the System. Franchisee also acknowledges that adhering to the terms of this Agreement and implementing the System as Franchisor directs are essential to the operation of Franchisee's business, to the System and to all Franchisor's franchisees.

In consideration of the mutual promises and commitments contained in this Agreement, together with other valuable consideration, the receipt and sufficiency of which is acknowledged, Franchisor and Franchisee agree as follows:

1. GRANT OF FRANCHISE AND LOCATION

1.1 **Grant and Acceptance**. Franchisor grants to Franchisee, and Franchisee accepts, all subject to the terms of this Agreement, a franchise to establish and operate one More Space Place business using the More Space Place System and the Proprietary Marks pursuant to this Agreement (the "Franchised Business"). Franchisee shall use the Proprietary Marks, participate in the promotional, advertising and marketing programs that are made available to Franchisee, and have access to certain proprietary trade secrets, marketing and business expertise of Franchisor, as they may be modified from time to time, in connection with the Franchised Business.

1.2 **Territory**. Franchisee shall establish and operate the Franchised Business at the location identified in Exhibit 1 and Exhibit 7 to this Agreement (the "Approved Location"). Provided Franchisee complies with the terms of this Agreement, Franchisor shall not own, operate, franchise or license any other More Space Place business within the Territory identified in Exhibit 1 to this Agreement (the "Territory"). Although no other Franchised Business will be physically located in Franchisee's Territory, the Territory may overlap with that of other franchisees or affiliated owned locations. Franchisor and/or Franchisor's affiliates, retain all other rights, including without limitation, (i) the right to own, operate, franchise or license (whether in connection with a merger or acquisition or otherwise), businesses of any type operating under names other than the Proprietary Marks, regardless of whether or not these other concepts offer products and services which are similar to or competitive with those offered by the Franchised Business and regardless of location and the right to convert those locations to Franchised Businesses, (ii) the right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business, with locations anywhere, which may result in the required conversion of Franchised Businesses; and (iii) the right to use and to license others to use, the System for the operation and licensing of other More Space Place businesses at any location outside of the Territory.

1.3 **Other Channels of Distribution**. Subject to the restrictions set forth in Section 1.2 above, Franchisor and Franchisor's affiliates, reserve the unrestricted right to offer products and services, whether now existing or developed in the future, identified by the Proprietary Marks or other marks Franchisor and/or Franchisor's affiliates own or license, through any distribution method Franchisor or its affiliates may establish, and may franchise or license others to do so, both within and outside the Territory, regardless of whether the offering of products or services in the other channels of distribution compete with Franchisee's More Space Place business. These other channels of distribution may include locations and venues other than a More Space Place location, other retail establishments, mail order, catalogs, the Internet, and any similar outlets or distribution methods as Franchisor and/or its affiliates determine, in Franchisor's or its affiliate's sole discretion. This Agreement does not grant Franchisee any rights to distribute products through other channels of distribution as described in this Section 1.3, and Franchisee has no right to share, nor does Franchisee expect to share, in any of the proceeds Franchisor and/or Franchisor's affiliates or franchisees or licensees or any other party receives in connection with the alternate channels of distribution.

1.4. **Location**. Franchisee is granted a nonexclusive franchise, which permits the operation of a single More Space Place business within the Territory at the Approved Location. If the Approved Location is not identified in Exhibit 1 and Exhibit 7 when the parties execute this Agreement, Franchisee shall find a location and submit it to Franchisor for approval as required in Section 1.4.1.

1.4.1 **Site Search; Purchase or Lease of Premises.** Franchisee is responsible for finding a site for the Franchised Business. Franchisee shall use its best efforts to find a suitable location subject to Franchisor's procedures and guidelines. Franchisor must grant written authorization before Franchisee may proceed with any proposed location. Franchisee shall provide Franchisor with any information Franchisor requests and a copy of the proposed lease or purchase agreement in connection with Franchisor's review. In order for Franchisor to approve any designation of the Approved Location at the time of execution of this Agreement, Franchisee must have supplied Franchisor with all required information and copies of proposed agreements prior to the execution of this Agreement. Franchisee shall not sign any lease or purchase agreement for the Approved Location until this Agreement is fully executed by both parties and Franchisor has granted approval of the agreement in writing. If the Approved Location is not designated in Exhibit 1 and Exhibit 7 at the time of execution of this Agreement, Franchisee must complete all steps to acquire a suitable location within 120 days after the date of execution of this Agreement. Franchisee shall execute a Business Location Agreement in the form attached hereto as Exhibit 7. Within the 120 day period, Franchisee must find a suitable site meeting Franchisor's specifications, submit a request for approval, deliver all information and copies of proposed agreements, receive Franchisor's approval, and then either enter into a lease or sublease for the site meeting Franchisor's requirements, including the requirements listed in Section 1.4.2, or enter into an agreement to purchase the site. The parties may extend the 120 day period for an additional 120 days provided Franchisee diligently complied with the obligations of this Section 1.4. If Franchisee or its equity owner or affiliate purchases or owns the Approved Location, Franchisee (or its equity owner or affiliate) shall grant Franchisor an option to purchase or lease the site upon termination or expiration of this Agreement at the fair market value or fair market rent. Franchisee must complete the development of and open the Franchised Business for business by the earlier to occur of: (i) 120 days after the date of execution of the Business Location Agreement, or (ii) within 240 days after the date of the execution of this Agreement.

1.4.2 Franchisor shall not approve any lease for the proposed location unless it contains certain provisions, including (i) a limitation that the premises shall be used only for a More Space Place business; (ii) a prohibition against assignment or subletting by Franchisee without Franchisor's prior written approval; (iii) permission for Franchisor to enter the premises and make changes to protect the Proprietary Marks; (iv) Franchisor will be given prior written notice of and have the option to cure any default of Franchisee under the lease; (v) the layout, sign usage and hours of operation of the Franchised Business as proposed in the Agreement and Operations Manual are permitted under the terms of the lease; and (vi) the lessor will agree not to lease premises in the immediate vicinity of the Approved Location to competing retail establishments without Franchisor's prior written consent. The lease shall be for a term at least equal to the term of this Agreement or, in the alternative, for a shorter term provided the lease is renewable at the option of Franchisee for an additional term or terms which, together with the initial term, equal or exceed the term of this Agreement. The lease must also contain general business terms acceptable to Franchisor. In addition, prior to execution of the lease, Franchisor and Franchisee shall execute the Collateral Assignment of Lease which grants Franchisor the right but not the obligation to assume the lease upon Franchisee's default under the lease or this Agreement. Upon execution of the lease, Franchisor and lessor shall execute the Consent and Agreement of Lessor. The Collateral Assignment of Lease and Consent and Agreement of Lessor shall be in the forms attached as Exhibit 4 to this Agreement. Franchisee shall deliver an executed copy of the lease to Franchisor within 15 days after the execution of the lease.

1.4.3. Franchisor's review of the lease for the premises and its acceptance of the site selected by Franchisee does not constitute Franchisor's representation or guarantee that Franchisee shall succeed at the selected location, nor an expression of Franchisor's opinion regarding the terms of the lease or the viability of the location.

1.4.4. In the event the lease term is shorter than the term of this Agreement and the lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Approved Location, Franchisee shall relocate the Franchised Business to a site mutually acceptable to Franchisee and Franchisor in accordance with Franchisor's specifications and subject to the provisions of Section 1.4.5 through 1.4.7 below, in order to complete the balance of the term of this Agreement. Franchisee shall give Franchisor notice of Franchisee's intent to relocate and must complete all steps to either enter into a lease or sublease or an agreement to purchase the site within 60 days after closing the Franchised Business at the original location. Franchisee must open the Franchised Business for business at the new location within 180 days of closing the original location. If Franchisee fails to comply with the terms of this Section 1.4.4, Franchisor may terminate this Agreement.

1.4.5. The location to be proposed by Franchisor pursuant to Section 1.4.4 above shall be within the Territory; provided, however, that if Franchisor determines that no appropriate location is available within the Territory, then Franchisor shall propose the next nearest location determined by it to be appropriate and available. The selection of a particular location within the Territory, the determination that an appropriate location is not available within the Territory and the determination, if necessary, of the next nearest appropriate and available location outside the Territory, shall all be within the sole and absolute discretion of Franchisor and its decisions thereon shall be final.

1.4.6 The proposal by Franchisor of a new location at which the Franchised Business may be operated shall be given to Franchisee in writing. If such location is to be leased, subleased, or sold by Franchisor or any affiliated corporation to Franchisee, such proposal shall be accompanied by a statement of such requirements as may be prescribed by Franchisor relating to the construction or alteration of improvements on the premises. Franchisor shall not submit to Franchisee any lease or sublease with Franchisor or any affiliated entity the term of which extends beyond the term of this Agreement. Franchisor's proposal of a location does not constitute Franchisor's representation or guarantee that Franchisee shall succeed at the selected location, nor an expression of Franchisor's opinion regarding the viability of the location.

1.4.7. If, within thirty (30) days after receipt of Franchisor's proposal of such new location, Franchisee gives to Franchisor written notice of acceptance of such proposal, and either enters into such tendered lease, sublease, or sale contract, or if none is tendered, agrees in writing to comply with any and all requirements prescribed by Franchisor relating to the lease of the Franchised Business' premises and construction or alteration of improvements on the premises, then notwithstanding the termination right at Section 8.2.2 (r) of this Agreement, this Agreement shall continue for the remainder of the term specified in Section 2.1 of this Agreement and shall be deemed amended to refer to such new location. If Franchisee fails to comply with the provisions of this Section 1.4.7 within said thirty (30) day period, then Franchisor shall have the right to terminate this Agreement pursuant to Section 8.2.2 (r), and Franchisee shall have no further rights under or by virtue of Sections 1.4.5 through 1.4.7 of this Article.

2. TERM AND RENEWAL

2.1 **Term.** This Agreement grants rights to Franchisee for a period of 10 years and is effective when signed by Franchisor.

2.2 **Renewal.** Franchisee shall have the right to renew this Agreement one additional period of 10 years if the following conditions have been met:

2.2.1 Franchisee has given Franchisor written notice of its election to renew the franchise not less than 6 months nor more than 12 months prior to the expiration of the current term;

2.2.2 Franchisee owns or has the right under a lease to occupy the premises of the Franchised Business for an additional 10 years and has presented evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Franchised Business for the duration of the renewal term; or, in the event Franchisee is unable to maintain possession of the premises of the Franchised Business, Franchisee has secured substitute premises approved by Franchisor and has furnished, stocked and equipped those premises to bring the Franchised Business at its substituted premises into full compliance with Franchisor's then-current specifications and standards by the expiration date of this Agreement;

2.2.3 Franchisee shall repair or replace, at Franchisee's cost and expense, equipment (including electronic cash register or computer hardware or software systems), signs, interior and exterior decor items, fixtures, or furnishings, supplies and other products and materials required for the operation of the More Space Place business as Franchisor may reasonably require and shall obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials which may be reasonably required by Franchisor for Franchisee to offer and sell products and services from the Franchised Business and shall otherwise modernize the business' premises, equipment (including electronic cash register or computer hardware and software systems), signs, interior and exterior decor items, fixtures, furnishings and supplies and other products and materials required for the operation of the Franchised Business as reasonably required by Franchisor to reflect the then current standards and image of the System as contained in the Operations Manual or otherwise provided in writing by Franchisor;

2.2.4 All amounts to be paid by Franchisee to Franchisor and/or its affiliates are currently paid, and no default under this Agreement exists uncured five (5) days after the Franchisee has received written notice of any overdue amounts. Even if no such default exists, Franchisor may revoke said option and refuse to allow said renewal if, during the initial term of this Agreement, Franchisee has been in material default of this Agreement. Franchisor and Franchisee agree that, for the purposes of this Section, such material default includes, but is not limited to, failure to make one hundred percent (100%) of all payments and reports within fifteen (15) days of the date they are actually due. It is further agreed that such default also includes Franchisee's consistently demonstrated unwillingness to take remedial actions as recommended by Franchisor to improve Franchisee's sales and marketing methods, in accordance with Franchisee's obligations under this Agreement.

2.2.5 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and/or its affiliates or otherwise pursuant to the Franchise Agreement;

2.2.6 Franchisee has executed, at the time of such renewal, Franchisor's then-current form of franchise agreement, the terms of which may vary materially from the terms of this Agreement and may include, without limitation, higher royalty and advertising fees. The renewal franchise agreement, when executed, shall supersede this Agreement in all respects;

2.2.7 Franchisee has executed a release of any and all claims against Franchisor and its affiliates, and their equity owners, officers, directors, agents, employees, attorneys and accountants arising out of or related to this Agreement or any related agreement. The release shall contain language and be of the form chosen by Franchisor, except the release shall not release any liability specifically provided for by any applicable state statute regulating franchising. Our current form of release is attached to this Agreement as Exhibit "5".

2.2.8 Franchisee has paid Franchisor a renewal fee equal to 25% of Franchisor's then current initial franchise fee, subject to a minimum of $7,375.00.

2.2.9 If a Franchisee is in a jurisdiction that now or in the future requires that Franchisee be a licensed contractor, Franchisee must obtain such contractor's license as a material condition of renewal.

2.3 In the event Franchisor determines that Franchisee will not have the right to exercise the renewal option referred to in Section 2.2 above and Franchisor is unwilling to renew the franchise granted by this Agreement, Franchisor shall forward to Franchisee, not less than nine (9) months prior to expiration, a Notice of Probable Intention Not to Renew ("Notice"). Such Notice shall set forth the acts and/or omissions of Franchisee which constitute the reasons under this Agreement that Franchisor is unwilling to renew. In the event Franchisor is convinced that Franchisee is incapable of fulfilling its obligations under this Agreement, Franchisor shall then send to Franchisee a Notice of Refusal to Renew at least six (6) months prior to the expiration of this Agreement. The notice shall state the reasons for the refusal to renew and the effective date of the expiration of this Agreement. Such Notice of Refusal to Renew shall be deemed to supersede, revoke, and otherwise withdraw the option of Franchisee to renew. In the event Franchisor is satisfied that Franchisee is able to and will correct any uncured deficiencies claimed in its Notice of Probable Intention Not to Renew, Franchisee will be so advised and will be allowed to exercise its option to renew referred to in Section 2.2 above.

Franchisor shall not refuse to renew this Agreement without fairly compensating the Franchisee for the fair market value, at the time of expiration of the Agreement, of the Franchisee's inventory, supplies, equipment, and furnishings purchased from the Franchisor, exclusive of personalized materials which have no value to the Franchisor and inventory, supplies, equipment and furnishings not reasonably required in the conduct of the More Space Place business; and provided, further, that Franchisor may offset against amounts owed to a Franchisee under this subsection any amounts owed by the Franchisee to the Franchisor.

3 FEES AND COSTS

3.1 **Initial Franchise Fee**. Franchisee shall pay Franchisor in cash or by certified check, at the time of execution of this Agreement, an initial franchise fee of $29,500. If Franchisee is approved to open additional franchises, the initial franchise fee for each additional franchise is $22,000. The initial franchise fee is deemed fully earned by Franchisor upon execution of this Agreement and is nonrefundable under any circumstances.

3.2 **Royalty Fee**.

3.2.1 **Royalty.** Franchisee shall pay to Franchisor a royalty fee equal to 5% of all weekly Gross Revenues of the Franchised Business subject to a minimum of $125.00 per week. If the term of this Agreement commences or ends on the day other than the first or last day of a week, respectively, the royalty for such week shall be based on Gross Revenues for the portion of the week commencing or ending with the date of commencement or termination of the term of this Agreement, as the case may be. "Gross Revenues" means the total gross revenue derived by Franchisee from the operation of the Franchised Business whether from sales for cash or credit, including sales of both franchise products and services, and including installation charges, exclusive of all sales taxes, use taxes, gross receipts taxes and other similar taxes added to the sales price and collected from the customer, and less any bona fide refunds, rebates, and discounts. Royalties received by Franchisor pursuant to this Section shall not be deemed trust funds nor shall Franchisor be required to segregate such funds in any way, but they shall be deemed general funds of Franchisor for all purposes.

3.2.2 **Payment; Reporting.** Franchisee shall participate in Franchisor's electronic funds transfer program under which Franchisor automatically deducts the weekly royalty and other payments owed to Franchisor under this Agreement from Franchisee's bank account. Before opening for business, Franchisee shall sign and give to Franchisor and its bank all documents necessary to effectuate this program. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to submit all payments due to Franchisor or its affiliate arising out of or related to the Franchised Business in any form or manner Franchisor prescribes. All weekly payments required under this section shall be due and deducted from Franchisee's bank account on Monday of each week on the receipts for the preceding week. The royalty calculations shall be based on the weekly reports and/or statements signed by Franchisee in the form specified by Franchisor indicating all Gross Revenues of Franchisee during the applicable week, which must be submitted to Franchisor on or before the close of business on Monday of each week. Franchisee agrees to provide Franchisor with (a) weekly Gross Revenues reports and (b) monthly royalty and advertising reports on forms provided from time to time by Franchisor according to this Agreement, the Operation Manuals and/or Franchisor's current policy and procedures. Such reports shall include all sales generated by Franchisee (including any sales from the Approved Location or otherwise) during the previous week, shall be complete, shall be filed timely and shall be signed by Franchisee or its designated manager. If Franchisee fails to submit any weekly revenue report on a timely basis, Franchisor may estimate Gross Revenues and withdraw from Franchisee's operating account the amounts estimated to be due which will be reconciled when the required reports are received.

3.3 **Advertising Generally.** With regard to advertising generally for the Franchised Business, Franchisee shall use only such signs, emblems, lettering, logos and display and advertising materials as Franchisor approves in writing from time to time. All advertising, marketing and promotion by Franchisee of any type shall be conducted in a dignified manner, shall coordinate and be consistent with Franchisor's

marketing plans and strategies and shall conform to the standards and requirements Franchisor prescribes. Franchisee shall submit to Franchisor or its designee, at least 30 days prior to their use, samples of all sales promotional materials and advertising desired to be used by Franchisee including, without limitation, newspaper, radio and television advertising, specialty and novelty items, signs, boxes, bags and other packaging which have not been previously approved by Franchisor or which were approved by Franchisor more than 12 months before the proposed use. Franchisor has the right to condition its approval of any proposed advertising upon Franchisee's agreement to provide other System franchisees, whose franchised businesses are located within the circulation area of the proposed advertising, the opportunity to contribute to and to participate in such advertising. Franchisee shall not use any advertising or promotional materials which Franchisor has not approved in writing and Franchisee shall promptly discontinue use of any advertising or promotional materials previously approved, upon notice from Franchisor. In the event that Franchisor from time to time furnishes to Franchisee any advertising, promotional, or informational materials to be used, displayed, or distributed in or about Franchisee's More Space Place business premises, Franchisee agrees to follow the instructions of Franchisor in connection therewith. Furthermore, Franchisee agrees at all times to cooperate and follow all instructions, recommendations and programs instituted on behalf of Franchisor with regard to advertising programs, media selection, cooperative advertising programs and local and national advertising programs. Franchisee will participate, cooperate and pay its fair share of all advertising designed for and benefitting Franchisee and the System plus a mark-up of twenty-percent (20%) to cover any shipping and handling costs. Franchisee's failure to cooperate, participate or pay its applicable advertising obligations as set forth in this Section 3.3 shall be a material breach of this Agreement.

3.3.1 **Local Advertising.** Franchisee agrees to actively promote the Franchised Business and to abide by all of Franchisor's advertising requirements. Franchisee is required to spend the greater of (i) 7% of its monthly Gross Revenues and commissions or (ii) $2,500 per month on local advertising within the Territory (the "Minimum Local Advertising Requirement"). Franchisee shall comply with each of its advertising obligations provided in this Agreement notwithstanding the payment by other More Space Place System franchisees of greater or lesser advertising obligations or default of these obligations by any other franchisees. Franchisee must provide Franchisor, when requested to do so, with actual tearsheets and copies of invoices of advertising expenses actually incurred and paid. Franchisor does not require Franchisee to join any advertising cooperative it may organize or develop, provided that it reserves the right to institute such requirement in the future. If a cooperative is formed, Franchisor will have the right to draft Franchisee's bank account for the advertising cooperative contribution and to pass those funds on to the respective cooperative. The cooperative members will be responsible for the administration of their respective advertising cooperative, as stated in the by-laws Franchisor approves. The by-laws and governing agreements will be made available for review by the cooperative's franchisee members. Franchisor may require a cooperative to prepare annual or periodic financial statements for review. Each cooperative will maintain its own funds; however, Franchisor has the right to review the cooperative's finances. Individual franchised businesses may not benefit directly or proportionately to their contribution to the Cooperative. Franchisor reserves the right to approve all of a cooperative's marketing programs and advertising materials. On 30 days written notice to affected franchisees, Franchisor may terminate or suspend a cooperative's program or operations. Franchisor may form, change, dissolve or merge any advertising cooperative. Affiliate owned locations will have no obligation to participate in any such advertising cooperatives.

3.3.2 **National Advertising Program**

3.3.2.1 Any National Advertising Program ("NAP") Contributions Franchisee expends count towards the total advertising amount Franchisee is required to spend. The NAP fee is currently

$300 per month-per Franchised Business but that amount may be adjusted up to a monthly contribution which will not exceed two and one-half percent (2.5%) of the previous calendar month's Gross Revenues ("NAP Contribution"). All contributions due under this Section are paid in the manner stated in Section 3.2.2 above.

3.3.2.2 Franchisee agrees to expend and/or contribute all advertising fees required under this Agreement notwithstanding the actual amount of contribution by other franchisees of Franchisor, or of default of this obligation by any other franchisees. Franchisor may maintain contributions to the NAP in a separate bank account or hold them in Franchisor's general account and account for them separately, or Franchisor may establish separate entities to administer the NAP and the NAP contributions. Although once established, Franchisor would intend the NAP to be of perpetual duration, Franchisor maintains the right to terminate the NAP or to create new NAP accounts or merge accounts. Franchisor shall not terminate the NAP until all money in the NAP has been expended for advertising and/or marketing purposes or returned to contributors on the basis of their respective contributions. The money contributed to the NAP shall not be considered to be trust funds. Franchisor and any designee shall not have to maintain the money in the NAP in interest bearing accounts or obtain any level of interest on the money. Franchisor does not owe any fiduciary obligation for administering the NAP. Although it is anticipated that all NAP contributions will be spent in the fiscal year in which they accrue, any remaining amounts will be carried over for use during the next fiscal year. The NAP may spend more or less than the total NAP annual contributions in a given fiscal year and may borrow funds to cover deficits.

3.3.2.3 Franchisor has the right to use NAP contributions, at its discretion, to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the System, including the costs of preparing and conducting radio, television, electronic and print advertising campaigns in any local, regional or national medium; utilizing networking media sites, such as Facebook, Twitter, LinkedIn, and on-line blogs and forums; developing, maintaining, and updating a World Wide Web or Internet site for System franchises; direct mail advertising; deploying social networking promotional initiatives through online media channels; marketing surveys; employing advertising and/or public relations agencies to provide assistance; purchasing promotional items; conducting and administering in-store promotions and "mystery shopper" program(s) which may include call recording; implementation and use of Client Relationship Management software and solutions; and providing promotional and other marketing materials and services to the businesses operating under the System. Franchisor is not required to spend any amount of NAP contributions in the area in which Franchisee's Franchised Business is located. Franchisor's decisions in all aspects related to the NAP shall be final and binding. Franchisor may charge the NAP for the costs and overhead, if any, Franchisor incurs in activities reasonably related to the creation and implementation of the NAP and the advertising and marketing programs for franchisees. These costs and overhead include the proportionate compensation of Franchisor's employees who devote time and render services in the conduct, formulation, development and production of advertising, marketing and promotion programs or who administer the NAP. At Franchisee's written request, Franchisor shall provide fiscal year end unaudited financial statements and an accounting of the applicable NAP expenditures when available. Franchisee may have to purchase advertising materials produced by the NAP, by Franchisor or by its affiliate, and Franchisor, or its affiliate, may make a profit on the sale.

3.3.2.4 The advertising and promotion Franchisor conducts is intended to maximize general public recognition and patronage of System franchises and the brand generally in the manner that Franchisor determines to be most effective. Franchisor is not obligated to ensure that the expenditures from the NAP are proportionate or equivalent to Franchisee's contributions or that the Franchised Business or any

franchisee shall benefit directly or pro rata or in any amount from the placement of advertising.

3.3.3 **Special Promotional Programs.** From time to time, Franchisor may, in its sole discretion, establish special promotional campaigns applicable to the More Space Place System as a whole or to specific advertising market areas. If Franchisee participates in any special promotional programs, Franchisee shall be required to pay for the development, purchase, lease, installation and/or erection of all materials necessary to such promotional campaigns, including but not limited to counter cards, posters, banners, signs, photography or give-away items. Franchisee cannot create unapproved loyalty or rewards programs.

3.3.4 **Pre Launch Advertising.** During the period beginning 30 days before through 30 days after the opening of the Franchised Business, Franchisee shall expend between $6,000-$9,000 on grand opening advertising and promotion in and/or for Franchisee's market area. Franchisee shall make such expenditure in accordance with Franchisor's written requirements and specifications. Franchisee has the right, but is not required, to spend additional sums with respect to grand opening advertising. Franchisee shall keep detailed records of all expenditures and provide these records to Franchisor within 15 days if Franchisor requests them.

3.3.5 **Website Requirements.** Franchisee acknowledges and agrees that any Website (including, but not limited to the More Space Place Website) constitutes "advertising" under this Agreement. Any Website Franchisee develops or utilizes must meet all other terms and conditions for advertising described in this Agreement. For this purpose, a "Website" means interactive electronic documents, contained in a network of computers linked by communications software that Franchisee operates or authorizes others to operate that refers to Franchisee's store, the MSP Proprietary Marks, Franchisor, and the More Space Place System. The term Website also includes Internet, Intranet and World Wide Web home pages, Social Networking or e-mail address sites. Franchisee must not establish any Website without Franchisor's prior written approval of its form, content and information due to Franchisor's substantial interest in protecting the MSP Proprietary Marks, the System and the Confidential Information. Franchisor may require Franchisee to participate in a centralized Website operated by Franchisor, without any compensation to Franchisee. Franchisor may refuse to permit Franchisee to operate or establish any Website. Franchisor reserves the right to establish one or more Internet, Intranet or other forms of e-commerce Websites, networks or communities for the purposes of promoting the development, growth, sales and solicitation of franchises; establishing or participating in, and requiring or authorizing Franchisee's participation in, or in connection with e-commerce; establishing purchasing, supply or referral programs, networks or communications in which Franchisee must participate; or monitoring Franchisee's performance under this Agreement and other purposes Franchisor designates from time to time which Franchisor deems to promote the development and operation of the System. Franchisor will establish and notify Franchisee of the establishment of Website policies and other forms of e-commerce policies, which will become part of the System Standards and be provided in the Manual or other written communication to Franchisee. Franchisor owns all right, title and interest in and to information compiled from, derived from or obtained by Franchisor via Franchisee's or Franchisor's use of Websites or Franchisor's establishment of the Intranet, Internet or other forms of e-commerce networks or communities. Any Websites and/or email addresses created by Franchisor in conjunction with the MSP trademark, advertising, promotion of MSP product and/or store locations belong to Franchisor. All domain names registered by Franchisor or by Franchisee in conjunction with the MSP trademarks belong to Franchisor.

3.4 **Software Fee.** In the event Franchisor develops proprietary software for the System, Franchisee may be required to enter into Franchisor's form of software license agreement. Franchisor reserves

the right to charge Franchisee license support fees in connection with any proprietary software developed for the System.

3.5 **Collection Costs, Attorneys' Fees, Interest.** Any late payment or underpayment of the royalty fee, NAP contributions and any other charges or fees due Franchisor or its affiliates from Franchisee, shall bear interest from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate which may be charged for commercial transactions in the state in which the Franchised Business is located. If Franchisor engages an attorney to collect any unpaid amounts under this Agreement or any related agreement (whether or not formal judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, court costs and collection expenses incurred by Franchisor. If Franchisee is in breach or default of any non-monetary material obligation under this Agreement or any related agreement, and Franchisor engages an attorney to enforce its rights (whether or not formal judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, court costs and litigation expenses incurred by Franchisor. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and the claim of Franchisee in such action resolved in favor of Franchisor or the action is dismissed, Franchisor shall be entitled to recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending the action, and may have the amount awarded as part of the judgment in the proceeding.

3.6 **Audit.** Franchisee shall maintain accurate business records, reports, correspondence, accounts, books and data relating to Franchisee's operation of the Franchised Business. At any time during normal business hours, Franchisor or its designee may enter the premises where these materials are maintained and inspect and/or audit Franchisee's business records and make copies to determine if Franchisee is accurately maintaining same. Alternatively, Franchisee shall deliver these materials to Franchisor or its designee if Franchisor requests. If any audit reveals that Franchisee has understated its revenues by 2% or more during any applicable reporting period, or if Franchisee has failed to submit complete reports and/or remittances to Franchisor for any 2 reporting periods, or Franchisee does not make these materials available, Franchisee shall pay the reasonable cost of the audit and/or inspection, including the cost of auditors and attorneys, incurred by Franchisor, together with amounts due for royalty and other fees as a result of such understated revenues, including interest from the date when the revenues should have been reported.

3.7 **Financial Records and Reports.** Franchisee shall maintain for at least 5 fiscal years from their production, or any longer period required by law, complete financial and accounting records for the operation of the Franchised Business in accordance with generally accepted accounting principles and shall provide Franchisor with: (i) sales information in the form specified by Franchisor for sales and services rendered during the preceding month, indicating all monies received or accrued, sales or other services performed during the relevant period, and such other additional information as may be required by any such report forms furnished by Franchisor which Franchisor deems necessary to properly evaluate the progress of Franchisee, which Franchisor may access on a regular basis; (ii) unaudited annual financial reports and operating statements in the form specified by Franchisor, prepared by a certified public accountant or state licensed public accountant, within 60 days after the close of each fiscal year of Franchisee; (iii) state and local sales tax returns or reports within 15 days after their timely completion; (iv) federal, state and local income tax returns for each year in which the Franchised Business is operated within 60 days after their timely completion; and (v) such other reports as Franchisor may from time to time require, in the form and at the time prescribed by Franchisor. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor, at its discretion, may specify the form in which the business records are to be maintained, provide a uniform set of business records to be used by Franchisee, and specify the type of equipment and software to be used in connection with the recording of revenues. Franchisor may obtain

revenues and other information from Franchisee by modem or other similar means, from a remote location, without the need for consent, at the times and in the manner as Franchisor specifies, in Franchisor's sole discretion.

3.8 **Taxes on Payments to Franchisor.** If Franchisor is required to collect Sales Taxes from Franchisee, Franchisee must pay Franchisor an amount equal to any sales, use, gross receipts, or similar tax payable by Franchisor and calculated on any payments Franchisee must make under this Agreement, unless the tax is an income tax or an optional alternative to an income tax otherwise payable by Franchisor.

3.9 **Management Fee.** In the event Franchisor must operate the Franchised Business due to Franchisee's or its Principal's death or disability, or if Franchisor determines that Franchisee is otherwise unable to adequately operate the Franchised Business, Franchisee must pay Franchisor's then-current management fee during the period of operation, which will last as long as Franchisor deems necessary. In addition, Franchisee will also be required to pay Franchisor's expenses and other fees in managing the Franchised Business, plus regular fees owed under this Agreement such as royalties. Franchisee must hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary operation. Franchisee must pay all of Franchisor's reasonable attorneys' fees and costs incurred.

3.10 **Insufficient Funds.** If the funds in Franchisee's bank account are insufficient to cover any amounts due under this Agreement on the date such funds are due, in addition to the overdue amount, Franchisor shall immediately be entitled to debit from Franchisee's bank account interest and charge its then-current fee to cover bank charges and administrative costs.

3.11 **Monthly Gross Revenue Report.** Franchisee shall submit to Franchisor within ten (10) days after the close of each calendar month a true, correct, and complete statement of gross revenue for such month on forms provided by Franchisor, containing all information called for by such forms and certified to by Franchisee as provided in Section 5.14 of this Agreement. Such reports will reconcile the monthly Gross Revenue of Franchisee with Franchisee's weekly Gross Revenue and royalty payments.

3.12 **Annual Revenue Report.** Within sixty (60) days after the close of Franchisee's fiscal year, Franchisee shall furnish a statement, on forms provided by Franchisor, containing all of the information requested on such forms, certified to by Franchisee and signed by Franchisee's accountant, showing the total net revenue for said preceding fiscal year, as finally adjusted and reconciled after the closing and review of Franchisee's books and records for such fiscal year. If such statement discloses any underpayment of royalties for such fiscal year, Franchisee shall pay to Franchisor, at the time of submitting such statement, the amount of any such underpayment. Any overpayment shall be credited to Franchisee's account.

4. FRANCHISOR SERVICES

4.1 Training.

4.1.1 **Initial Training.** Franchisor shall provide, either itself or through its designee, an initial training program to be held at Franchisor's corporate training facility in New Jersey, its affiliate's Clearwater, Florida manufacturing facility or another place, at the times and places Franchisor shall designate. Franchisor shall schedule an initial training program, at Franchisor's convenience, between the time Franchisee signs this Agreement and the time Franchisee is scheduled to open the Franchised Business. Franchisee, or if Franchisee is a business entity, designated equity owners of Franchisee owning a minimum of the equity

interests in Franchisee specified by Franchisor, and Franchisee's designated manager, shall attend and complete the initial training program to Franchisor's satisfaction prior to the opening of the Franchised Business. Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending training. Franchisor shall provide tuition-free training initially for 3 persons including Franchisee (or its equity owners) and its designated manager before the Franchised Business opens for business. If initial training is otherwise required for Franchisee or any equity owner, manager or other employee, Franchisee shall pay Franchisor's then-current tuition for each person to attend the additional initial training program. Each of Franchisee's additional and/or replacement managers shall attend and complete to Franchisor's satisfaction Franchisor's initial training program prior to assuming management responsibility.

4.1.2 **Refresher Courses; Supplemental Training**. Franchisor reserves the right to offer refresher courses and supplemental training programs, which may be optional or mandatory, from time to time, to Franchisee, its equity owners if Franchisee is a business entity, its manager and/or its employees. Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending any refresher or supplemental training. Franchisee shall pay Franchisor's then-current tuition for any individual attending refresher courses or supplemental training.

4.1.3 **Conferences.** Franchisor may, but is not obligated to, hold annual conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. Franchisor reserves the right to charge a fee for such conference. Franchisee must pay all its travel and living expenses related to Franchisee's attendance at the conference. These conferences are held at a location chosen by Franchisor. Attendance is mandatory for at least one of Franchisee's previous trainees.

4.2 **Continuing Consultation and Advice**. In addition to the assistance rendered Franchisee prior to opening, Franchisor shall provide Franchisee continuing consultation and advice as Franchisor deems advisable during the term of this Agreement regarding the provision of services, marketing, sales techniques, personnel development and other business, operational and advertising matters that directly relate to the franchise operation. Such assistance may be provided by telephone, facsimile, email, postings to Franchisor's intranet, periodically through on-site assistance by appropriate personnel of Franchisor, and/or other methods.

4.3 **Operations Manual; Proprietary Software**. Franchisor shall loan or otherwise provide Franchisee access to one copy of a specifications, operations and procedures manual, and one copy of other books, binders, videos or other electronic media, intranet postings and other materials, and appropriate revisions as may be made from time to time, referred to collectively as the "Operations Manual". Franchisee shall operate the Franchised Business in strict compliance with the Operations Manual. From time to time Franchisor may, through changes in the Operations Manual or by other notice to Franchisee, change any standard or specification or any of the Proprietary Marks applicable to the operation of the Franchised Business or change all or any part of the System, and Franchisee shall take all actions, at Franchisee's expense, to implement these changes. Franchisor may vary the standards and specifications to take into account unique features of specific locations or types of locations, special requirements and other factors Franchisor considers relevant in its sole discretion. The Operations Manual shall be confidential and at all times remain the property of Franchisor. Franchisee shall not make any disclosure, duplication or other unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth in this Agreement. Franchisee shall ensure that its copy of the Operations Manual is current

and up-to-date. If there is a dispute relating to the contents of the Operations Manual, the master copy maintained by Franchisor at its principal office shall be controlling. Franchisor may elect to provide the Operations Manual solely through Franchisor's website(s) and/or intranets or other electronic means without any need to provide Franchisee with a paper copy or other physical format. If Franchisee requires a replacement copy of the Operations Manual, Franchisor will provide the first copy at no cost. Franchisee will be charged Franchisor's then-current fee for any additional replacements.

4.4 **Approved Location**. If so requested by Franchisee, Franchisor shall provide such site selection guidance and assistance to Franchisee as Franchisor shall deem necessary and appropriate, in its sole discretion. Franchisor may assist Franchisee in identifying and evaluating a site and negotiating a lease for the premises at such site in accordance with Section 1.4 of this Agreement, subject to the availability of Franchisor's personnel and Franchisor's familiarity with the real estate market in the Territory. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Business unless the site is approved by Franchisor. Franchisor, upon approval of the Approved Location, shall provide Franchisee with its advice regarding Approved Location improvements. Franchisor shall provide Franchisee with general layout, but not construction plans, for the Approved Location. Franchisee is solely responsible for the cost of all Approved Location improvements, which must conform to the specifications set forth by Franchisor in the Operations Manual or otherwise in writing. Site selection assistance of Franchisor shall not relieve Franchisee of primary responsibility to locate an acceptable site in the required time period.

5. FRANCHISE SYSTEM STANDARDS

5.1 **Opening for Business**. Franchisee shall not open the Franchised Business for business until Franchisee has complied with Franchisor's requirements for opening and has granted permission to open, unless Franchisor otherwise provides in writing.

5.2 **Compliance with Standards**. Franchisee acknowledges that its obligations under this Agreement and the requirements of Franchisor's Operations Manual are reasonable, necessary and desirable for the operation of the Franchised Business and the More Space Place System. Franchisee shall adhere to Franchisor's standards and specifications as set forth in this Agreement and the Operations Manual, including, but not limited to, standards, specifications of product and service quality and uniformity, and equipment and software compatibility among individual More Space Place System franchises, and any revisions or amendments. Franchisee shall purchase and use only products and services, including equipment, fixtures, software, signs, branded products or services, inventory, supplies, and logo-imprinted products, which Franchisor approves, including purchasing from approved suppliers or a designated sole supplier for any items. Franchisor and its affiliates may be an approved supplier or designated sole supplier for any purchases of products or services. Franchisee may purchase or obtain these products and services through Franchisor or a supplier approved by Franchisor. Franchisee cannot be a supplier to other franchisees and cannot purchase items from another franchisee without Franchisor's express written approval. If Franchisor has not designated an approved supplier for a particular product or service, Franchisee shall purchase these products or services only from suppliers that meet Franchisor's standards and specifications. Franchisee may request approval of a supplier, which may, at Franchisor's option, include inspection of the proposed supplier's facilities and testing of product samples. The independent testing facility Franchisor designates may charge a fee for the testing. Franchisee or the proposed supplier shall pay the test fees. Franchisee must also pay for Franchisor's costs in making a determination on the proposed supplier, including the costs of inspection of the supplier's facilities, evaluation of the test results, and a background check of the supplier. Franchisor reserves the right, at its

option, to re-inspect the facilities and products of any approved supplier, and to revoke approval if the supplier fails to continue to meet any of Franchisor's criteria. Franchisor may receive fees and other payments from suppliers and others in connection with Franchisee's purchases and may use the fees for Franchisor's own purposes. Franchisor shall provide Franchisee a standard price list for items which it sells to franchisees, including a description of each item and applicable price or lease terms, prepayment discounts (if any) and shipping charges. Franchisor reserves the right to withhold approval of any supplier for any reason.

5.3 **Operations.**

5.3.1 Franchisee shall operate the Franchised Business for at least those hours and days specified by Franchisor in the Operations Manual and will at all times operate the Franchised Business diligently so as to maximize the revenues and profits therefrom.

5.3.2 Franchisee is not limited to providing services and products ("Installations") to only customers inside of the Territory. However, Franchisee may not market, advertise for and/or solicit for orders outside of the Territory, (except for through the NAP). If an installation is to take place within another Franchisee's Territory, it is a violation of this Agreement if Franchisee does not notify Franchisor and the affected franchisee before the installation occurs. In the Franchisor's sole discretion, Franchisee may be required to cooperate with that franchisee, share in the installation, share any financial compensation, or give the job to the other franchisee.

5.3.3 Franchisee shall at all times maintain and employ working capital as Franchisor may reasonably deem necessary to enable Franchisee to properly and fully carry out and perform all of its duties, obligations and responsibilities under this Agreement and to operate the business in a businesslike, proper and efficient manner.

5.3.4 Franchisee shall operate the Franchised Business in conformity with the highest ethical standards and sound business practices and in a manner which shall enhance the More Space Place Proprietary Marks and the More Space Place System. Franchisee shall be solely responsible for all employment decisions and functions, including hiring, firing, discipline, supervision, setting terms of employment and compensation and implementing a training program for employees of the Franchised Business in accordance with training standards and procedures Franchisor specifies in order for Franchisee to conduct the business of the Franchised Business at all times in compliance with Franchisor's requirements. Franchisee shall never represent or imply to prospective employees and employees that they shall be or are employed by Franchisor.

5.3.5 The Franchised Business must be properly maintained at all times, including periodic repainting of the exterior and interior and all maintenance and repairs to all fixtures, furnishings, uniforms, signs and equipment to keep and run the Franchised Business as directed by the Operations Manual and otherwise as Franchisor reasonably directs.

5.3.6 Franchisee must comply with requirements for servicing customers and warranties established by Franchisor from time to time.

5.3.7 Franchisee will at all times give prompt, courteous, and efficient service to the public; will perform work competently and in a workmanlike manner; and in all business dealings with members of the public, will be governed by the highest standards of honesty, integrity, fair dealing, and ethical conduct.

Franchisee will do nothing that would tend to discredit, dishonor, reflect adversely upon, or in any manner injure the reputation of Franchisor or any franchisee of the System.

5.3.8 Franchisee acknowledges that a public demand has been created and exists for genuine products carrying certain of the Proprietary Marks and that the public has come and will come to expect that they will be able to obtain those products at a More Space Place Business. Accordingly, Franchisee agrees that Franchisee will at all times during the term of this Agreement maintain an inventory of the products and of such other items which Franchisor may from time to time designate, which is adequate, both in terms of range of the products and other items covered and in terms of the quantities of the products and other items, to fulfill the public demand in Franchisee's market for the products and other items and to promptly satisfy customers seeking the products and other items at the Franchised Business.

5.3.9 Subject to the provisions of Sections 5.3.9.1 and 5.3.9.2 of this Section 5.3.9, it is agreed that at all times during the term of this Agreement, Franchisee (if Franchisee is an individual, or if Franchisee is an entity, its shareholders, partners, members or principals, as the case may be) or Franchisee's duly authorized designated manager (who may or may not be a partner or principal of Franchisee) designated in writing to Franchisor shall: (i) devote his or their full time and effort to the active management and operation of the Franchised Business; (ii) irrespective of any delegation of authority not inconsistent with clause (i), reserve and exercise ultimate authority and responsibility with respect to the management and operation of the Franchised Business; (iii) not engage in or be connected with any other business or activity that interferes with the business under this Agreement; and (iv) represent and act on behalf of Franchisee in all dealings with Franchisor. If two or more individuals are named herein, each of them shall fulfill the requirements of clause (i), and both or all of them shall jointly fulfill the requirements of clauses (ii), (iii) and (iv).

5.3.9.1 If Franchisee operates or hereafter commences to operate, under a franchise granted by Franchisor, one or more additional More Space Place businesses, and if the individual or individuals referenced under this Section 5.3.9 is/are also named in the corresponding provision of such other agreement or agreements, then such provisions shall be deemed to apply to all such More Space Place businesses in the aggregate.

5.3.9.2 In the event of the resignation, disability, or death of the individual or individuals referenced under this Section 5.3.9, the provisions of Article 7 hereof shall govern; provided however, that if two or more individuals are named herein then upon the resignation, disability, or death of one or more but less than all of such individuals, the provisions of Article 7 shall not govern and the provisions of this Section shall apply to the remaining or surviving individual or individuals.

5.3.9.3 If required by Franchisor, Franchisee shall cause a designated manager to execute an agreement to be bound by the restrictions set forth in Section 5.6 of this Agreement.

5.4 **Updating Premises.** Franchisee agrees that, in order to maintain a modern, progressive, sanitary and uniform image, Franchisor has the right to require Franchisee to perform remodeling, repairs, replacements and redecoration in and upon the premises of the Approved Location, fixtures, equipment and furnishings Franchisee uses as Franchisor reasonably deems necessary and practical to bring the premises, fixtures, equipment and furnishings up to the then current standards of newly developed System locations (Remodeling Requirements); provided, however, Franchisee shall not be required to make such modifications or improvements more than once every five (5) years or during the initial five (5) years of the term of this

Agreement. In addition, in order to introduce new products or services, Franchisee may be required to expend additional amounts on new, different or modified equipment or fixtures necessary to offer such new services or products ("Replacement Requirements") (collectively, the Remodeling Requirements and Replacement Requirements are referred to as the "Capital Modifications").

5.5 **Applicable Laws.** Franchisee shall investigate, keep informed of and comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Franchised Business, including employment, licensing, zoning, and bond requirements. If these legal requirements impose a greater standard or duty than Franchisor requires in the Operations Manual or elsewhere, Franchisee must comply with the greater standard or duty and notify Franchisor in writing promptly after Franchisee becomes aware of the discrepancy. Franchisee has been advised and is aware that certain state and local laws, rules and ordinances require or may require the registration of "Home Improvement Salespersons." If required by state or local law, Franchisee agrees to register such salespersons, pay any and all required fees, submit all necessary documentation and otherwise comply with such state or local requirements and hold Franchisor harmless therefrom.

5.6 **Trade Secrets and Confidential Information**. The System is unique and the Operations Manual, Franchisor's trade secrets, proprietary computer software or applications, designs and specifications for products, architectural specifications for Franchised Businesses, training materials, other written material Franchisor develops to assist in development or operations and know-how are the sole, exclusive and confidential property of Franchisor, and are provided or revealed to Franchisee in confidence ("Confidential Information"). Franchisee shall use the Confidential Information only for the purposes and in the manner authorized in writing by Franchisor, and its use shall inure to the benefit of Franchisor. Franchisee shall inform all employees before communicating or divulging any Confidential Information to them of their obligation of confidence. In addition, subject to applicable law, Franchisee shall obtain a written agreement in the form attached as Exhibit "3(a)", from Franchisee's employees and any other person having access to the Operations Manual or to whom Franchisee wishes to disclose any Confidential Information that they shall maintain the confidentiality of the Confidential Information and they shall recognize Franchisor as a third-party beneficiary with the independent right to enforce the covenants either directly in Franchisor's own name as beneficiary or acting as agent. Spouses of Franchisees must sign the Confidentiality, Non-Disclosure and Non-Competition Agreement in the form attached as Exhibit "3(b)". All executed agreements must be forwarded to Franchisor to ensure compliance. Franchisee hereby appoints Franchisor as its agent with respect to the enforcement of these covenants. Franchisee shall retain all written Confidentiality Agreements with Franchisee's business records for the time period specified in the Operations Manual. Franchisee shall enforce all covenants and shall give Franchisor notice of any breach or suspected breach of which Franchisee has knowledge.

Franchisee shall not contest, directly or indirectly, Franchisor's ownership of or right, title or interest in Franchisor's trade secrets, proprietary computer software, copyrighted materials, methods or procedures or contest Franchisor's right to register, use or license others to use any of such trade secrets, proprietary computer software, copyrighted materials, methods and procedures. Franchisee, including its officers, directors, equity owners, and employees, and any of their immediate family, heirs, successors and assigns, is prohibited from using and/or disclosing any Confidential Information in any manner other than as permitted by Franchisor in writing. Any development used by or in connection with the More Space Place System is part of the System and Franchisor's Confidential Information, whether the development is developed by Franchisor, its affiliates, Franchisee, or any other present, former or future More Space Place System franchisee.

5.7 **Proprietary Marks.**

5.7.1 **Ownership.** Nothing in this Agreement assigns or grants to Franchisee any right, title or interest in or to the Proprietary Marks, it being understood that all rights relating to the Proprietary Marks are reserved by Franchisor and the owner of the Proprietary Marks who has licensed the Proprietary Marks to Franchisor ("Licensor"), except for Franchisee's license to use the Proprietary Marks only as specifically and expressly provided in this Agreement. Franchisee's use of the Proprietary Marks shall inure to the benefit of Franchisor and its affiliates and Licensor, and Franchisee shall not at any time acquire any rights in the Proprietary Marks. Franchisee shall not challenge the title or rights of Franchisor or its affiliates or Licensor in and to the Proprietary Marks, or do any act to jeopardize or diminish the value of the Proprietary Marks. All goodwill associated with the Proprietary Marks and Franchisor's, its affiliates' and Licensor's copyrighted material, including any goodwill that might be deemed to have arisen through Franchisee's activities, inures directly and exclusively to the benefit of Franchisor, its affiliates and Licensor. Franchisee shall execute from time to time any and all other or further necessary papers, documents, and assurances to effectuate the intent of this Section and shall fully cooperate with Franchisor, its affiliates and Licensor or any other franchisee of Franchisor in securing all necessary and required consents of any state agency or legal authority to the use of any of the Proprietary Marks. Franchisor reserves the right to substitute, add or change the Proprietary Marks for use in identifying the System and the businesses operating under its System if the current Proprietary Marks no longer can be used, or if Franchisor, in its sole discretion, determines that a change of the Proprietary Marks shall be beneficial to the System. Franchisee shall bear the cost and expense of all changes.

5.7.2 **Protection.** Franchisee shall promptly notify Franchisor of any infringement of, or challenge to, the Proprietary Marks, and Franchisor or Licensor, shall in its discretion take the action it deems appropriate. Franchisee must not communicate with any person other than legal counsel, Franchisor and Franchisor's legal representative in connection with any infringement challenge or claim. Franchisor shall indemnify and hold Franchisee harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from Franchisee's use of the Proprietary Marks in accordance with this Agreement or as otherwise set forth by Franchisor in writing if Franchisee has promptly notified Franchisor of such claim and cooperated in the defense of any claim. If Franchisor or Licensor undertakes the defense or prosecution of any litigation pertaining to any of the Proprietary Marks, Franchisee agrees to execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor or Licensor, be necessary to carry out such defense or prosecution.

5.7.3 **Advertising.** With regard to advertising generally for the Franchised Business, Franchisee shall use only such signs, emblems, lettering, logos and display and advertising materials as Franchisor approves in writing from time to time. All advertising, marketing and promotion by Franchisee of any type shall be conducted in a dignified manner, shall coordinate and be consistent with Franchisor's marketing plans and strategies and shall conform to the standards and requirements Franchisor prescribes. Franchisee shall submit to Franchisor or its designee, at least 30 days prior to their use, samples of all sales promotional materials and advertising desired to be used by Franchisee including, without limitation, newspaper, radio and television advertising, specialty and novelty items, signs, boxes, bags and other packaging which have not been previously approved by Franchisor or which were approved by Franchisor more than 12 months before the proposed use. Franchisor has the right to condition its approval of any proposed advertising upon Franchisee's agreement to provide other System franchisees, whose franchised businesses are located within the circulation area of the proposed advertising, the opportunity to contribute to and to participate in such advertising. Franchisee shall not use any advertising or promotional materials which

Franchisor has not approved in writing and Franchisee shall promptly discontinue use of any advertising or promotional materials previously approved, upon notice from Franchisor.

5.7.4 **Franchisee's Name.** Franchisee agrees not to use the Proprietary Marks or any part of a Proprietary Mark in its corporate name. The corporate and all fictitious names under which Franchisee proposes to do business must be approved in writing by Franchisor before use. Franchisee shall use its corporate name either alone or followed by the initials "D/B/A" and the business name of More Space Place. Franchisee shall register at the office of the county in which the Franchised Business is located or such other public office as provided for by the laws of the state in which the Franchised Business is located as doing business under such assumed business name.

5.7.5 **Independent Status.** All stationery, business cards and contractual agreements into which Franchisee enters shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice that Franchisee operates the Franchised Business as an independently owned and operated franchise of Franchisor.

5.7.6 **Authorized and Unauthorized Use.** At Franchisor's direction, Franchisee shall use the Proprietary Marks in conjunction with the symbol "SM," "TM" or "®", as applicable, in order to indicate the registered or unregistered status of the Proprietary Marks. Franchisee shall not use any of the Proprietary Marks in connection with the offer or sale of any unauthorized products or services or in any other manner not explicitly authorized in writing by Franchisor. Franchisee may not use any other marks, names, commercial symbols or logo type in connection with the operation of the Franchised Business.

5.7.7 **Franchisor's Use of Marks.** Franchisor, its affiliates and Licensor may use and register the Proprietary Marks as they deem advisable in their discretion including without limitation, developing and establishing other systems using the same or similar Proprietary Marks alone or in conjunction with other marks and granting licenses and/or franchises in connection with the same or similar Proprietary Marks without providing any rights to Franchisee.

5.7.8 **Electronic Mail and Domain Names.** Except as authorized by Franchisor in writing, Franchise shall not use the Proprietary Marks, or any abbreviation, variation or other name associated with the More Space Place System or MORE SPACE PLACE as part of any e-mail address, domain name, and/or other identification in any electronic medium.

5.8 **Inspection.** During normal business hours and without prior notice, Franchisor or its representatives or agents shall have the right to inspect Franchisee's records, interview Franchisee's customers and observe the manner in which Franchisee operates the Franchised Business.

5.9 **Changes to the System.** Franchisor may, from time to time, change the standards and specifications applicable to operation of the Franchise, including standards and specifications for products, services, computer software, inventory, supplies, signs, fixtures, furnishings and equipment, by written notice to Franchisee or through changes in the Operations Manual. Franchisor also may from time to time eliminate and introduce products or services or change the products or services. Franchisee shall cease offering products and services discontinued by Franchisor immediately, and immediately revise any changed products or services. Franchisee shall commence offering and selling any new products and services within 15 days of notification from Franchisor. Franchisee may incur an increased cost to comply with such changes, and

Franchisee shall accept and implement such changes at its own expense as if they were part of the More Space Place System when this Agreement was executed, including discontinuing or modifying the use of or substituting any of the Proprietary Marks or computer software; provided, however, that any such change shall not materially alter Franchisee's fundamental rights under this Agreement.

5.10 **Authorized Services, Products, Supplies and Equipment.**

5.10.1 Franchisee shall offer and sell all services, merchandise and products that Franchisor prescribes and only those services, merchandise and products that Franchisor prescribes. Franchisee shall comply with all rules and regulations prescribed by federal, state and local agencies. Franchisee shall order products from any manufacturer, supplier or other More Space Place franchisee recommended by or approved by Franchisor in writing. Subject to the requirements of Section 5.2, Franchisee shall have the right to suggest new products, services or other developments to Franchisor for use in Franchisee's and other More Space Place System businesses. Franchisee shall have no right to offer new products or services to the Franchised Business customers or use any new developments until Franchisor has had the opportunity to test the new services or developments and provide Franchisee written approval for their use and standards and specifications with respect to their use. All new services and developments, whether they be of Franchisee's original design or variations of existing services or techniques, shall be deemed works made for hire and Franchisor shall own all rights in them. If these products, services and developments do not qualify as works made for hire, by signing this Agreement Franchisee assigns to Franchisor ownership of any and all rights in these services and developments and the goodwill associated with them. Franchisee shall receive no payment or adjustment from Franchisor in connection with any new products, services or developments.

5.10.2 Franchisee shall use in the operation of the Franchised Business and in the performance of services only the methods, procedures, services, supplies, equipment and computer software as are specified by Franchisor in the Operations Manual or otherwise in writing. Franchisee acknowledges and agrees that these may be changed periodically by Franchisor and that Franchisee is obligated to conform to the requirements as so changed.

5.10.3 Franchisor shall have the exclusive right in its sole discretion to vary from the authorized products, services or merchandise in establishing the products, services and merchandise to be offered by the Franchised Business. Complete and detailed uniformity under many varying conditions may not always be possible or practical and Franchisor reserves the right and privilege, at its sole discretion, to vary not only the products, services and merchandise but other standards for any More Space Place System franchisee based upon the customs or circumstances of a particular site or location, density of population, business potential, population of trade area, existing business practices, or any condition which Franchisor deems to be of importance to the operation of that franchisee's business.

5.10.4 Franchisee shall obtain and at all times use the items of equipment, software, fixtures and supplies as Franchisor specifies, and only these items of equipment, software, décor, fixtures and supplies. Prior to opening the Franchised Business, Franchisee shall obtain the equipment, software, décor, fixtures and supplies as Franchisor specifies. As an item of equipment, software, fixtures and supplies may become obsolete or inoperable, Franchisee shall replace the item with the types and kinds of equipment, software, décor, fixtures and supplies then being used by new More Space Place System franchises at the time of replacement. If Franchisor determines that additional or substitute equipment, software, décor, fixtures and supplies are needed because of a change in services or merchandise offered or method of providing products or services, Franchisee shall install the new equipment, software, décor, fixtures and supplies within a reasonable time.

5.10.5 Franchisee acknowledges that Franchisor reserves the right to develop proprietary software and/or a backroom computer system for use in connection with the More Space Place System. Franchisee shall acquire computer hardware equipment, computer software, telecommunications infrastructure products and credit card processing equipment and support services as Franchisor reasonably requires in connection with the operation of the Franchised Business and all additions, substitutions and upgrades Franchisor shall specify. Franchisee's computer system must be able to send and receive email and attachments on the Internet and provide access to the World Wide Web and otherwise support Franchisor's then-current information technology system. To the extent that a specific credit card processing services vendor is not designated for use, Franchisee must use a vendor that is compliant with the Payment Card Industry Data Security Standard (PCI DSS).

5.10.6 All services must be provided and all products and merchandise offered in accordance with the standards and specifications contained in the Operations Manual or otherwise.

5.10.7 Franchisor may at any time and from time to time, in its sole discretion, require all of the franchisees in the System, including Franchisee, to discontinue the use of any products, if, in the opinion of Franchisor, the continued use of such product or products becomes unfeasible, unprofitable or otherwise undesirable; upon such discontinuance, the license herein granted with respect to such product or products shall terminate. Such discontinuance or termination of a product or product line by Franchisor is not "cause" for the termination of this Agreement by Franchisor or Franchisee.

5.10.8 Franchisor shall in no event be liable to Franchisee for unavailability of or delay in shipment or receipt of any of prodcuts due to temporary product shortages or unavailabilities, order backlogs, production difficulties, delays in or unavailability of transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of Franchisor.

5.11 **Pricing.** Franchisor may exercise rights with respect to the pricing of products and services to the fullest extent permitted by then-applicable law. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which Franchisee may charge customers for the products and/or services offered and sold at the Franchised Business; recommending retail prices; advertising specific retail prices for some or all products or services sold by the Franchised Business, which prices Franchisee will be compelled to observe; engaging in marketing, promotional and related campaigns which Franchisee must participate in and which may directly or indirectly impact Franchisee's retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which the Franchised Business may charge the public for the products and services it offers.

Franchisor may engage in any such activity either periodically or throughout the term of this Agreement. Further, Franchisor may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. Franchisor acknowledges and agrees that any maximum, minimum or other prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of the Franchised Business and Franchisee irrevocably waives any and all claims arising from or related to our prescription or suggestion of the Franchised Business's retail prices.

Upon the giving by Franchisor of notice of termination of this Agreement under Article 8 of this Agreement, Franchisor shall not be obligated to fill or ship any orders for products theretofore or at any time thereafter received from Franchisee, unless otherwise required by law.

5.12 **Pending Actions.** Franchisee shall notify Franchisor, in writing, within 5 days of the commencement of any action, suit or proceeding and of the issuance of any order, suit or proceeding of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

5.13 **Proprietary Computer Software.**

5.13.1 Franchisor currently maintains a website www.morespaceplace.com for use in connection with the System and for the benefit of its franchisees. Franchisor has developed a web-based software program for management of customer relations and/or related activities (hereinafter the "Computer Program") and has implemented the Computer Program into the System. The Computer Program will process and display data related to tracking customer leads, average sales, closing percentages and related customer management information. Franchisee agrees to (a) implement the Computer Program into the Franchised Business and comply with all specifications and standards prescribed by Franchisor regarding the Computer Program as provided from time to time in the Operations Manual; (b) utilize the Computer Program; and (c) input the required data. Prior to the commencement of the Franchised Business, Franchisee shall be required to purchase or lease acceptable computer hardware and software with Internet access and e-mail capability to access Franchisor's website and utilize the Computer Program. Franchisor does not require Franchisee to purchase or lease any specific brand or type of hardware or software. Franchisor shall have full access to the data supplied by Franchisee to the Computer Program and such data may be shared with the System. Franchisor reserves the right to require Franchisee to pay Franchisor or a third party a fee ("Computer System Fee") relating to the computer system which Franchisee may be required to purchase or lease. Franchisee must purchase CAD Design Software Keys from Franchisor prior to opening the Franchised Business and must pay annual service/updates.

5.13.2 During the Term of this Agreement, Franchisee is authorized to access and use any proprietary computer software Franchisor designates for Franchisee's use in the Operations Manual or otherwise, solely at the Franchised Business, and in accordance with the Operations Manual. Franchisee shall not sublicense or distribute the proprietary computer software, whether for profit or otherwise, or authorize any other individual or entity to use the proprietary computer software without Franchisor's express written consent. Franchisee shall not use the proprietary computer software or allow it to be used, directly or indirectly, to: (a) engage in unlawful conduct, (b) infringe any proprietary rights, whether protected by copyright, trademark, trade secret, or otherwise, (c) defame, threaten, or otherwise violate the rights of others, (d) publish any inappropriate, profane, obscene, indecent, or unlawful material or information, (e) engage in commercial conduct other than with regard to the Franchised Business, (f) attempt to decipher, decompile, disassemble or reverse engineer any of the proprietary computer software, or (g) violate any guidelines relating to the use of the proprietary computer software. The preceding is a non-exhaustive listing of prohibited uses of the proprietary computer software. Franchisee shall sign a license agreement for the proprietary computer software if Franchisor requests.

5.13.3 **FRANCHISEE'S USE OF ANY PROPRIETARY COMPUTER SOFTWARE PROVIDED BY FRANCHISOR OR FRANCHISOR'S DESIGNATED SUPPLIERS, INCLUDING ANY INSTALLATION SERVICES, IS AT FRANCHISEE'S OWN RISK. FRANCHISOR MAKES NO REPRESENTATIONS ABOUT THE SUITABILITY, RELIABILITY, USABILITY, AVAILABILITY, TIMELINESS, AND ACCURACY OF THE PROPRIETARY COMPUTER SOFTWARE FOR ANY PURPOSE. FRANCHISOR DOES NOT WARRANT THAT ACCESS TO OR USE OF THE PROPRIETARY COMPUTER SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, THAT USERS WILL BE ABLE TO ACCESS THE PROPRIETARY COMPUTER SOFTWARE AT ANY TIME, OR THAT THE PROPRIETARY COMPUTER SOFTWARE OR RELATED EQUIPMENT WILL MEET ANY PARTICULAR CRITERIA OF PERFORMANCE OR QUALITY. FRANCHISOR DISCLAIMS ALL WARRANTIES AND CONDITIONS WITH REGARD TO THE PROPRIETARY COMPUTER SOFTWARE AND ALL RELATED EQUIPMENT, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OF ACCURACY OR COMPLETENESS OF RESPONSES, OF RESULTS, OF WORKMANLIKE EFFORT, OF LACK OF VIRUSES, AND OF NEGLIGENCE AND THE PROVISION OF OR FAILURE TO PROVIDE SUPPORT SERVICES, TITLE, AND NON-INFRINGEMENT.**

5.14 **Reports.** Franchisee agrees to provide Franchisor with (a) weekly Gross Revenue reports (See Section 3.2.2), (b) monthly gross sales report (See Section 3.11), (c) annual revenue report and advertising reports on forms provided from time to time by Franchisor according to this Agreement, the Operations Manual and/or Franchisor's current policy and procedures. Such reports shall include all sales generated by Franchisee (including any sales from the Approved Location or otherwise) during the applicable period, shall be complete, shall be filed timely and shall be signed by Franchisee or its designated manager.

6. ACKNOWLEDGMENTS OF FRANCHISEE

6.1 **Independent Contractor Status.** Franchisee is an independent contractor, responsible for full control over the management and daily operation of the Franchised Business, and neither Franchisor nor Franchisee is the agent, principal, partner, employee, employer or joint venturer of the other. Franchisee shall not act or represent itself, directly or by implication, as an agent, partner, employee or joint venturer of Franchisor, nor shall Franchisee incur any obligation on behalf of or in the name of Franchisor.

6.2 **Indemnification.** Franchisee shall defend, indemnify and hold Franchisor and its affiliates, and their respective officers, directors, managers, equity owners, independent contractors and employees (the "Indemnified Parties") harmless from all fines, suits, proceedings, claims, demands, liabilities, injuries, damages, expenses, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising in whole or in part from Franchisee's ownership, operation or occupation of the Franchised Business, performance or breach of its obligations under this Agreement, breach of any warranty or representation in this Agreement or from the acts or omissions of Franchisee, its employees or agents, including its advertising, of the Franchised Business, except as otherwise provided in this Agreement. Franchisor and any Indemnified Party shall promptly give Franchisee written notice of any claim for indemnification under this Section 6.2. Any failure to give the notice shall not relieve Franchisee of any liability under this Agreement except to the extent the failure or delay causes actual material prejudice. Franchisor shall have the right to control all litigation, and defend and/or settle any claim against Franchisor or other Indemnified Parties affecting Franchisor's interests, in any manner Franchisor deems appropriate. Franchisor may also retain its own counsel to represent Franchisor or other Indemnified Parties and Franchisee shall advance or reimburse Franchisor's costs. Franchisor's exercise of this control over the litigation shall not affect its rights to indemnification under this Section 6.2. Franchisee may not consent to the entry of judgment with respect to, or otherwise settle, an indemnified claim without the prior written consent of the applicable Indemnified Parties. Franchisor and the other Indemnified Parties do not have to seek recovery from third parties or otherwise attempt to mitigate losses to maintain a claim to indemnification under this Section 6.2. The provisions of this Section 6.2 shall survive the termination or expiration of this Agreement.

6.3 **Payment of Debts.** Franchisee understands and agrees that it alone, and not Franchisor, is responsible for selecting, retaining and paying its employees; the payment of all invoices for the purchase of inventory and goods and services for use in the Franchised Business; and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct of the franchise business.

6.4 **Noncompetition.**

6.4.1 **During the Term of This Agreement.** During the term of this Agreement, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or equity owner shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other business which offers or sells products or services competitive with those sold or offered under the Closet & Storage Concepts or More Space Place System (a "Competing Business").

During the term of this Agreement, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit any employee of Franchisor or any other Closet & Storage Concepts or More Space Place System franchisee to discontinue his or her employment.

During the term of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor.

6.4.2 **After the Term of This Agreement.** For a period of 2 years after the expiration, nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other Competing Business within the Territory or a radius of 20 miles from the Territory or any other More Space Place or Closet & Storage Concepts company owned or franchised business in operation or of any territory which is being considered or for which discussions are under way for a More Space Place or Closet & Storage Concepts franchise, as of the date of expiration and nonrenewal, transfer or termination of this Agreement; provided, however, Franchisee may continue to operate any other More Space Place or Closet & Storage Concepts franchises for which Franchisee and Franchisor have a current franchise agreement.

For a period of 2 years after the expiration, nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit business from customers of Franchisee's former Franchised Business for any competitive business purpose nor solicit any employee of Franchisor or any other More Space Place or Closet & Storage Concepts System franchisee to discontinue his or her employment.

For a period of 2 years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any Competing Business.

6.4.3 **Intent and Enforcement.** It is the intent of the parties that the provisions of this Section 6.4 shall, to the fullest extent permissible under applicable law, be judicially enforced; accordingly, any reduction in scope or modification of any part of the noncompetition provisions contained in this Agreement shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 6.4 by Franchisee, any of its equity owners or any member of the immediate family of Franchisee or any of its equity owners, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. In the event of the actual or threatened breach of this Section 6.4, Franchisor's harm shall be irreparable and Franchisor shall have no adequate remedy at law to prevent the harm. Franchisee acknowledges and agrees on its own behalf and on behalf of the persons who are liable under Section 6.4.2 that each has previously worked or been gainfully employed in other fields and that the provisions of Section 6.4.2 in no way prevent any of these persons from earning a living. Spouses of Franchisees must sign the Confidentiality, Non-Disclosure and Non-Competition Agreement in the form attached as Exhibit "3(b)".

6.4.4 **Employees.** Franchisee shall require its officers, directors, equity owners, employees (to the extent the employee has received Franchisor's initial training) and members of the immediate family of Franchisee, its officers, directors and equity owners to execute a confidentiality agreement containing provisions similar to those set forth in this Agreement. Our current form of confidentiality agreement is attached to this Agreement as Exhibit "3(a)".

6.4.5 **Publicly-Owned Entity.** This Section 6.4 shall not apply to any ownership by Franchisee or any other person subject to Section 6.4 of a beneficial interest of less than 5% in the outstanding securities or partnership interests in any publicly-held entity.

6.5 **Telephone.** Franchisee shall obtain at its own expense a new telephone number and listing, to be listed under the More Space Place name and not under Franchisee's corporate, partnership, or individual name, to be used exclusively in connection with Franchisee's operation of the Franchised Business. Upon the expiration and nonrenewal, transfer or termination of this Agreement for any reason, Franchisee shall terminate its use of such telephone number and listing and assign same to Franchisor or its designee. The Franchised Business shall be serviced by a suitable telephone system approved by Franchisor. Franchisee shall answer the telephone in the manner set forth by Franchisor in the Operations Manual.

6.6 **Insurance.** At all times during the term of this Agreement and at its own expense, Franchisee shall obtain and keep in force at a minimum the insurance required by Franchisor in the Operations Manual or otherwise. Currently, at a minimum, the requirements are: (i) public liability insurance with complete operations coverage and limits of liability for bodily injury of not less than $1,000,000.00 for each injury and $1,000,000.00 for property damage in each occurrence; (ii) "all risk coverage" insurance for fire, business interruptions, etc. up to the replacement value of Franchisee's inventory; (iii) if required to do so by law, worker's compensation insurance for all of Franchisee's employees. Defense costs cannot erode policy limits. All insurance policies shall contain a separate endorsement naming Franchisor and its affiliates as additional insureds using ISO form CG2029 or an equivalent endorsement (no blanket additional insured language is acceptable). The policies shall expressly provide that any interest of an additional insured shall

not be affected by Franchisee's breach of any policy provisions or any negligence on the part of an additional insured. All policies shall also include a waiver of subrogation in favor of the additional insureds. All policies shall be written by an insurance carrier accepted in writing by Franchisor. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier shall remain a going concern or capable of meeting claim demands during the term of the insurance policy. No insurance policy shall be subject to cancellation, termination, nonrenewal or material modification, except upon at least 30 days' prior written notice from the insurance carrier to Franchisor. Upon Franchisor's request, Franchisee shall provide Franchisor with a currently issued certificate of insurance evidencing coverage in conformity with the provisions of this Section. If Franchisee fails to comply with at least the minimum insurance requirements set forth by Franchisor, Franchisor may either terminate this Agreement, or obtain the insurance and keep the insurance in force and effect and Franchisee shall pay Franchisor, on demand, the cost of the premium cost and the administrative costs to Franchisor in connection with obtaining the insurance. Franchisor may increase or otherwise modify the minimum insurance requirements upon 30 days' prior written notice to Franchisee, and Franchisee shall comply with any such modification. Franchisee's obligation to obtain the required policies in the amounts specified is not limited in any way by any insurance Franchisor maintains. Franchisee's obligation to maintain the insurance does not relieve Franchisee of any liability under the indemnity provisions of Section 6.2. If the lease for the Franchised Business' premises requires Franchisee to purchase insurance with higher limits than those set forth in this paragraph, the lease insurance requirements will control. If Franchisee will be engaging in any construction, renovation or build-out of the premises for the Franchised Business, either Franchisee or Franchisee's third party contractor must have in force for the duration of said project, Commercial General Liability insurance and Worker's Compensation and Employer's Liability insurance in the amounts listed above as well as Builder's Risk insurance in an amount approved by Franchisor.

6.7 **Distribution**. Franchisor or its affiliates may distribute products identified by the Proprietary Marks or other marks owned or licensed by Franchisor or its affiliates through any distribution method which periodically may be established or licensed by Franchisor or its affiliates and may franchise or license others to do so, except as otherwise set forth in this Agreement.

6.8 **Image.** The More Space Place System has been developed to deliver products and services which establish the Franchised Business as a service provider of distinction. Therefore, Franchisor requires Franchisee to offer products and services and conduct the Franchised Business in such a manner which shall serve to emulate and enhance the image intended by Franchisor for the More Space Place System. Each aspect of the More Space Place System is important not only to Franchisee but also Franchisor, its affiliates, licensor and other franchisees of Franchisor in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by More Space Place System franchisees, Franchisor and its affiliates. Franchisee shall comply with the standards, specifications and requirements set forth by Franchisor in order to uniformly convey the distinctive image of a Franchised Business.

7. SALE OR TRANSFER

7.1 **Consent to Transfer**. Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber its interest in the Franchised Business without the prior written consent of Franchisor. Any unauthorized transfer by Franchisee shall constitute a material breach of the Agreement and shall be voidable by Franchisor.

7.2 **Death or Disability.** In the event of the death, disability or incapacity of any individual Franchisee or officer or director or member of an incorporated Franchisee or limited liability company or partner of a partnership Franchisee, should the decedent's or disabled or incapacitated person's executor, heir or legal representative, or the business entity, as the case may be, wish to continue as Franchisee under this Agreement, such person shall apply for Franchisor's consent, execute the then-current franchise agreement, and complete the training program to Franchisor's satisfaction, as applicable, as in any other case of a proposed transfer of Franchisee's interest in this Agreement. Such assignment by operation of law shall not be deemed in violation of this Agreement, provided the heirs or legatees or business entity meet the conditions imposed by this Agreement and are acceptable to Franchisor.

If Franchisee is a business entity, this Agreement shall continue in effect upon the death of the largest equity owner, provided that the active management of the business entity shall remain stable and reasonably satisfactory to Franchisor in its sole discretion.

Franchisee's executor, heir or legal representative shall have 180 days from the date of death, disability or incapacity to execute Franchisor's then-current franchise agreement or transfer the franchise rights and business upon the terms and conditions set forth in this Agreement (except that the term shall be the balance of Franchisee's term). At the conclusion of the balance of the term, the new franchisee may exercise any or all of the then applicable renewal rights.

Franchisor reserves the right to operate or oversee the operation of the Franchised Business if Franchisor believes, in Franchisor's sole judgment, that the Franchised Business is not being operated in a manner consistent with Franchisor's System or specifications.

7.3 **Ownership Changes.** A sale, transfer or assignment requiring the prior written consent of Franchisor shall be deemed to occur: (i) if Franchisee is a corporation or limited liability company, upon any assignment, sale, pledge or transfer of 20% or more of the voting stock or membership interests of Franchisee, any increase in the number of outstanding shares of voting stock or membership interests of Franchisee which results in a change of ownership of 20% or more of its total voting stock or membership interests, or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of the voting stock or membership interests of Franchisee; or (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of 20% or more of any partnership ownership interest or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of the partnership ownership interest. Franchisee shall notify Franchisor of any change in stock ownership, membership interests or partnership ownership interests in Franchisee while this Agreement is in effect which shall result in a sale, transfer or assignment within the meaning of this Section. A transfer to an existing partner, shareholder or member, or a transfer as a result of the death, disability or incapacity of a partner, shareholder or member in accordance with Section 7.2, or a transfer to an inter vivos trust where the transferring Franchisee, partner, shareholder or member is the only grantor beneficiary other than a spouse, shall not be a violation of this Agreement or a ground for termination; any such ownership change shall not be subject to Franchisor's right of first refusal under Section 7.3.1.

7.3.1 **Right of First Refusal.** If Franchisee or its equity owners propose to transfer or assign 20% or more of Franchisee's interest in this Agreement or in the business conducted under this Agreement or in Franchisee if Franchisee is a business entity, to any third party (other than a business entity as set forth in Section 7.4 and except as otherwise set forth in Section 7.3) in connection with a bona fide offer from such third party, Franchisee or its equity owners shall first offer to sell to Franchisor, Franchisee's or its equity owners' offered interest. Franchisee or its equity owner shall obtain from the third party offeror an earnest

money deposit (of at least 15% of the offering price) and deliver to Franchisor a statement in writing, signed by the offer or and by Franchisee, of the terms of the offer. In the event of Franchisee's insolvency or the filing of any petition by or against Franchisee under any provisions of any bankruptcy or insolvency law, an amount and terms of purchase shall be established by an appraiser chosen by the bankruptcy court or by the chief judge of the federal district court of Franchisee's district and Franchisee or Franchisee's legal representative shall deliver to Franchisor a statement in writing incorporating the appraiser's report. Franchisor shall then have 45 days from its receipt of either statement to accept the offer by delivering written notice of acceptance by Franchisor or its nominee to Franchisee or its equity owner. The acceptance shall be on the same terms as stated in the statement delivered to Franchisor; provided, however, Franchisor or its nominee shall have the right to substitute equivalent cash for any noncash consideration included in the offer. If the parties cannot agree within a reasonable time on the equivalent cash for any noncash consideration, Franchisor shall designate an independent appraiser and the appraiser's determination shall be binding. If Franchisor or its nominee elects not to accept the offer within the 45 day period, Franchisee or its equity owner shall be free for 90 days after such period to complete the transfer described in the statement delivered to Franchisor, but only with the prior written consent of Franchisor and subject to the conditions for approval set forth in Section 7.3.2. Franchisee and its equity owners shall effect no other sale or transfer of this Agreement or Franchisee's interest in this Agreement or the business conducted under this Agreement or the interest in Franchisee, without first offering or reoffering the same to Franchisor in accordance with this Section 7. If in Franchisor's opinion there is a material change in the terms of the offer, the offer shall be deemed a new proposal and Franchisee or its equity owner shall be required to grant Franchisor or its nominee a right of first refusal with respect to such offer.

7.3.2 **Conditions for Approval.** Franchisor may condition its approval of any proposed sale or transfer of the franchise business or of Franchisee's interest in this Agreement or of the interest in Franchisee upon satisfaction of the following requirements:

7.3.2.1 All of Franchisee's accrued monetary obligations to Franchisor, its affiliates and any supplier for the Franchised Business have been satisfied;

7.3.2.2 All existing defaults under the Franchise Agreement have been cured within the period permitted for cure;

7.3.2.3 Franchisee and its equity owners if Franchisee is a business entity, has executed a general release under seal, in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their officers, directors, equity owners, agents, employees, attorneys and accountants in their corporate and individual capacities; provided, however, the release shall not release any liability specifically provided for by any applicable state statute regulating franchising. Our current form or release is attached to this Agreement as Exhibit "5";

7.3.2.4 Franchisee has provided Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to discharge all of Franchisee's obligations under this Agreement;

7.3.2.5 The transferee has demonstrated to Franchisor's satisfaction that transferee or its designated manager meets Franchisor's managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations of this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business, chain or network which is similar in nature or in competition with Franchisor or More Space Place System franchisees, except that the transferee may be an existing franchisee of Franchisor;

7.3.2.6 The transferee has executed Franchisor's then-current Franchise Agreement for the remainder of the term of the current franchise agreement;

7.3.2.7 Franchisee or transferee has paid Franchisor a transfer fee equal to 50% of Franchisor's then current initial franchise fee, subject to a minimum of $14,750.00;

7.3.2.8 The transferee and its manager shall complete Franchisor's training program to Franchisor's satisfaction at the transferee's own expense within the time frame set forth by Franchisor; and

7.3.2.9 Franchisee acknowledges and agrees that the post-termination provisions of this Agreement including, without limitation, the noncompetition provisions, shall survive the transfer of the Franchise.

7.4 **Transfer to a Corporation or Limited Liability Company.** If Franchisee is one or more individuals or a partnership, Franchisee may assign its rights under this Agreement to a corporation or limited liability company for convenience of ownership, provided:

7.4.1 The corporation or limited liability corporation is newly organized and its activities are confined to operating the franchise business;

7.4.2 Franchisee is, and at all times remains, the owner of at least 51% of the outstanding shares of the corporation or owns a controlling interest in the limited liability company;

7.4.3 The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations under this Agreement;

7.4.4 All stockholders of the corporation, or members and managers of the limited liability company, personally guarantee prompt payment and performance by the corporation or limited liability company, as applicable, of all its obligations to Franchisor under the Agreement and execute a noncompetition agreement in the form reasonably acceptable to Franchisor.

7.4.5 Each stock certificate of the corporate franchisee shall have conspicuously endorsed upon its face a statement, in a form satisfactory to Franchisor, that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; the operating agreement of any limited liability company and any membership certificates shall contain a similar limitation; and

7.4.6 Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) the transferee corporation's Articles of Incorporation, Bylaws, resolutions including, without limitation, the resolutions of the Board of Directors authorizing entry into this Agreement; or (ii) the limited liability company's certificate of organization; and all other governing documents.

Franchisee is not required to pay Franchisor a transfer fee with respect to a transfer in accordance with this Section 7.4. However, Franchisee shall pay Franchisor's expenses in connection with a transfer under this Section 7.4 if Franchisee has not completed the transfer, including complying with this Section 7, as applicable, within 60 days following the execution of this Agreement but in no event later than the opening of the Franchised Business.

7.5 **Secured Interests and Securities.**

7.5.1 Franchisee shall not grant, and shall not permit a transfer in the nature of a grant of, a security interest in this Agreement.

7.5.2 If Franchisee is a corporation, it shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section 7 and shall issue no such securities upon the face of which the following printed legend does not legibly and conspicuously appear:

> The transfer of this stock is subject to the terms and conditions of a Franchise Agreement between Franchisor and the corporation dated _____, 20____. Reference is made to the Franchise Agreement and to the Articles of Incorporation and Bylaws of this corporation.

7.6 **Transfer by Franchisor.** Franchisor may sell, transfer, assign and/or encumber all or any part of its interest in itself or the Franchise Agreement.

8. BREACH AND TERMINATION

8.1 **Termination by Franchisee.** Franchisee may terminate this Agreement for cause if Franchisor is in breach of any material provision of this Agreement, by giving Franchisor written notice within 60 days of the event or circumstances giving rise to the breach. Franchisee must be in material compliance with this Agreement. The notice shall state specifically the nature of the breach and allow Franchisor 90 days after receipt of the notice to correct the breach. Franchisee's failure to give timely written notice of any breach shall be deemed to be a waiver of Franchisee's right to complain of that breach. If Franchisor fails to cure any material breach within the 90 day cure period, Franchisee may terminate this Agreement for that reason by providing written notice to Franchisor, except if the breach is not susceptible to cure within 90 days, but Franchisor takes action within 90 days to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, Franchisor shall be deemed to have timely cured the breach. Franchisee's termination will be effective only if Franchisee signs all documentation that Franchisor requires, including a release. Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

8.2 **Termination by Franchisor.** Franchisor may terminate this Agreement under the following circumstances:

8.2.1 **With Cause and With Opportunity to Cure.** If Franchisee is in breach of any material provision of this Agreement not listed in Section 8.2.2, by giving Franchisee written notice of the event or circumstances giving rise to the breach. The notice will state specifically the nature of the breach and allow Franchisee the following amount of time to correct the breach after receipt of notice:

(a) 7 days if the failure to comply relates to the Proprietary Marks or if a threat or danger to the public health or safety exists; except Franchisee must correct violation immediately if it is possible to do so;

(b) 15 days if the failure relates to Franchisee's failure to make any payment of money to Franchisor or its affiliates; and

(c) 30 days if the failure relates to any other breach not listed in this Section 8.2.1 or in Section 8.2.2.

If Franchisee fails to cure any material breach within the applicable cure period, Franchisor may terminate this Agreement for that reason by providing written notice to Franchisee, except if the breach is not susceptible to cure within the time permitted, but Franchisee takes action within the time permitted to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, Franchisee shall be deemed to have timely cured the breach. For purposes of this Agreement, Franchisee's alleged breach of this Agreement shall be deemed cured if both Franchisor and Franchisee agree in writing that the alleged breach has been corrected. Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

If Franchisee receives more than one default notice within a twelve month period, then Franchisee shall be required to meet with Franchisor at its corporate headquarters, or in Franchisor's sole discretion, via telephone conference. Such meeting shall occur within thirty days of Franchisee's receipt of written notice of the second (or any subsequent) default notice. If Franchisee fails to meet with Franchisor within such thirty day period, Franchisor may terminate this Agreement (even if such defaults have been cured), by providing written notice to Franchisee.

8.2.2 **With Cause and Without Opportunity to Cure.** Franchisor may terminate this Agreement upon written notice without giving Franchisee opportunity to cure for any of the following breaches or defaults:

(a) **Criminal Acts.** If Franchisee is convicted of or pleads guilty or no contest to a felony or takes part in any criminal misconduct related to the operation of the Franchised Business or which affect the goodwill of the Proprietary Marks.

(b) **Voluntary Bankruptcy.** If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state

bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the franchise business.

(c) **Involuntary Bankruptcy.** If proceedings are commenced to have Franchisee adjudicated as bankrupt or to seek a reorganization of Franchisee under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee or the franchise business without Franchisee's consent, and the appointment is not vacated within 60 days.

(d) **Liens.** If a levy or writ of attachment or execution or any other lien is placed against Franchisee, any partner of Franchisee if Franchisee is a partnership, or any guarantor of Franchisee under Section 15 or any of their assets which is not released or bonded against within 60 days.

(e) **Insolvency.** If Franchisee, any partner of Franchisee, or the majority equity owner of Franchisee is insolvent.

(f) **Repeated Breaches.** If Franchisor sends Franchisee 3 or more written notices to cure pursuant to Section 8.2.1 in any 12 month period.

(g) **Misrepresentation.** If Franchisee makes any misrepresentation or omission in connection with Franchisee's franchise application.

(h) **Breach of Other Agreements.** If Franchisee or any partner, director, officer, shareholder or member of Franchisee materially breaches any other agreement with Franchisor or any of its affiliates, or any lease for the premises of the Franchised Business, and does not cure the breach within any permitted period for cure;

(i) **Fraud.** If Franchisee commits fraud in the operation of the Franchised Business.

(j) **Intentional Underreporting or Misstatement.** If Franchisee intentionally underreports or misstates any information required to be reported to Franchisor under this Agreement, including but not limited to Gross Revenues required to be reported under this Agreement, or failure, in whole or in part, to provide Franchisor with information required to be reported.

(k) **Insurance.** If Franchisee fails to maintain any insurance required by this Agreement.

(l) **Confidential Information.** If Franchisee engages in the unauthorized use or disclosure of the Confidential Information.

(m) **Invalid Transfers.** Any attempted or purported assignment or transfer of this Agreement not in compliance with this Agreement; provided that if Franchisor does not elect to exercise its right to terminate this Agreement pursuant to this subsection, such inaction shall not be deemed to constitute a consent to such assignment or transfer nor to confer any rights or interest whatever upon the purported assignee or transferee, but this Agreement shall remain binding and in full force and effect as between Franchisor and Franchisee herein unless and until Franchisor elects to terminate the same.

(q) **Purchase or Lease of Approved Location; Opening**. Franchisee's failure to purchase or acquire a lease for the Approved Location or to open the Franchised Business within the required time period;

(r) **Loss of Right to Occupy Approved Location**. The lease or ownership of the Approved Location is terminated or expires and Franchisee does not relocate the Approved Location in accordance with the terms of this Agreement;

(s) **Abandonment**. Voluntary cessation of the Franchised Business, abandonment of the Franchised Business and/or the Approved Location by Franchisee, or the forfeiture by Franchisee of the right to do or transact business in the Territory or in the jurisdiction where the Approved Location is located; provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee's control) if, through no fault of Franchisee, the premises of the Franchised Business is damaged or destroyed by an event as described above; provided, that Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues and completes such reconstruction or relocation within one hundred eighty (180) days from the date of such event. This approval may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Franchised Business is not in operation.

Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

8.3 **Nonwaiver.** Franchisor's delay in exercising or failure to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due under this Agreement or any other agreement between Franchisor and Franchisee or Franchisor's consent to a transfer of any interest in Franchisee shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

9. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

9.1 **Franchisee's Obligations.** Upon termination of this Agreement by either Franchisor or Franchisee, regardless of the cause, and upon expiration, nonrenewal or transfer of this Agreement, Franchisee shall:

9.1.1 Cease immediately all operations under this Agreement;

9.1.2 Pay immediately to Franchisor all unpaid fees and pay Franchisor, its affiliates and any supplier for the Franchised Business all other monies owed them;

9.1.3 Discontinue immediately the use of the Proprietary Marks and any proprietary computer software;

9.1.4 Immediately return the Operations Manual to Franchisor and all other manuals and Confidential Information loaned to Franchisee by Franchisor and immediately cease to use the Confidential Information;

9.1.5 Immediately cease using all telephone numbers and listings used in connection with the operation of the franchise business and direct the telephone company to transfer all such numbers and listings to Franchisor or its designee or, if Franchisor so directs, to disconnect the numbers;

9.1.6 Promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks as directed by Franchisor and all items which are a part of the trade dress of the More Space Place System;

9.1.7 Sell to Franchisor or its designee, at Franchisor's option, all inventory in useable form bearing the Proprietary Marks at the original purchase price thereof or at its then-current value if less than the original purchase price, in Franchisor's judgment, within 15 days following the date of termination or expiration;

9.1.8 Assign to Franchisor or its designee, at Franchisor's option, all customer contracts and deposit monies related to the Franchised Business.

9.1.9 Cease to hold itself out as a franchisee of Franchisor;

9.1.10 Take action necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark licensed by Franchisor and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within 30 calendar days after the termination, expiration or transfer of this Agreement;

9.1.11 Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records within 6 months of the effective date of termination, expiration, or transfer; and

9.1.12 Comply with the post-termination covenants set forth in Section 6.4.2, all of which shall survive the transfer, termination or expiration of this Agreement.

9.1.13 Immediately remove all signage bearing any of the Proprietary Marks from the Premises and any vehicles. If Franchisee fails to properly de-identify the premises or any vehicle, Franchisor will do so and charge Franchisee for its reasonable costs.

9.2 **Power of Attorney.** Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to execute in Franchisee's name and on Franchisee's behalf all documents necessary to discontinue Franchisee's use of the Proprietary Marks and the Confidential Information.

10. NOTICES

All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight courier, telegram or certified or registered mail (except that regular monthly and other reports from Franchisee may be sent by regular mail), prepaid, to the following addresses (which may be changed by written notice):

Franchisee: _____

_____

_____

Franchisor: The address of its then current principal place of business.

Notices sent by regular mail shall be deemed delivered on the third business day following mailing.

11. INTERPRETATION

11.1 **Amendments. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND CAN NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. NOTHING IN THIS AGREEMENT IS INTENDED TO DISCLAIM ANY INFORMATION CONTAINED IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT.**

11.2 **Choice of Law and Selection of Venue.** This Agreement shall be governed by the laws of the State of New Jersey. Except as set forth in Section 11.3, any action at law or equity instituted against either party to this Agreement shall be commenced in the state and county courts of Franchisor's principal place of business, currently the courts of Camden County, New Jersey or the United States District Court, District of New Jersey. Franchisee acknowledges that this Agreement has been entered into in the State of New Jersey, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in New Jersey including but not limited to assistance, support and the development of the More Space Place System. In recognition of these services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of New Jersey as set forth above.

11.3 **Injunctive Relief.** Nothing in this Agreement shall prevent Franchisor from obtaining injunctive relief against actual or threatened conduct that shall cause it loss or damages, in any appropriate forum under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

11.4 **Construction of Language.** The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one (1) party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "immediate family" means the spouse, parent, children and siblings of Franchisee and the parents, children and siblings of Franchisee's spouse. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

11.5 **Successors.** References to Franchisor or Franchisee include their successors, assigns or transferees, subject to the limitations of this Agreement.

11.6 **Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Franchisor or any of its affiliates or protection of the Proprietary Marks, or the Confidential Information, including the Operations Manual and Franchisor's other trade secrets, is declared invalid or unenforceable, then Franchisor at its option may terminate this Agreement immediately upon written notice to Franchisee.

11.7 **No Right to Offset.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Franchisee under this Agreement or any related agreements.

11.8 **Force Majeure.** Neither Franchisor, its affiliates nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. The parties agree that lack of funds or economic hardship shall not constitute a Force Majeure event. Any delay resulting from any such cause shall extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or shall excuse performance, in whole or in part, as Franchisor deems reasonable.

11.9 **Rights Cumulative.** No right or remedy under this Agreement shall be deemed to be exclusive of any other right or remedy under this Agreement or of any right or remedy otherwise provided by law or and equity. Each right and remedy will be cumulative.

11.10 **Parties. The sole entity against which Franchisee may seek damages or any remedy under law or equity for any claim is Franchisor or its successors or assigns. The equity owners, directors, officers, employees, agents and representatives of Franchisor and of its affiliates shall not be named as a party in any litigation, arbitration or other proceedings commenced by Franchisee if the claim arises out of or relates to this Agreement.**

11.11 **LIMITATION OF LIABILITY. TO THE EXTENT PERMITTED BY LAW, IN NO EVENT SHALL FRANCHISOR BE LIABLE FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR ANY OTHER DAMAGES THAT ARE NOT DIRECT DAMAGES, REGARDLESS OF THE NATURE OF THE CLAIM FOR DAMAGES.**

11.12 **JURY TRIAL WAIVER. FRANCHISOR AND FRANCHISEE, RESPECTIVELY, WAIVE ANY RIGHT EITHER MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. FRANCHISOR AND FRANCHISEE, RESPECTIVELY, EACH ACKNOWLEDGE THAT THEY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.**

11.13 **FRANCHISOR AND FRANCHISEE AGREE THAT LITIGATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT FRANCHISOR AND FRANCHISEE SHALL BE THE ONLY PARTIES IN ANY JUDICIAL PROCEEDING DESCRIBED IN SECTION 11.2 OR SECTION 11.3, AND THAT NO SUCH PROCEEDINGS MAY BE CONSOLIDATED WITH ANY OTHER LITIGATION OR ARBITRATION PROCEEDING, NOR SHALL ANY OTHER PERSON BE JOINED AS A PARTY TO SUCH PROCEEDING.**

11.14 **FRANCHISOR APPROVAL AND DISCRETION. TO THE EXTENT THAT FRANCHISOR'S CONSENT OR APPROVAL IS REQUIRED OR ANY DECISION IS SUBJECT TO THE DISCRETION OF THE FRANCHISOR, AND WHENEVER FRANCHISOR EXERCISES A**

RIGHT, PRESCRIBES AN ACT OR THING, OR OTHERWISE MAKES A CHOICE OR USES DISCRETION, THE PARTIES AGREE THAT FRANCHISOR HAS THE WHOLLY UNRESTRICTED RIGHT TO MAKE DECISIONS AND/OR TAKE (OR REFRAIN FROM TAKING) ACTIONS, EXCEPT THAT FRANCHISOR WILL NOT ACT ARBITRARILY OR UNREASONABLY. HOWEVER, FRANCHISOR WILL NOT BE REQUIRED TO CONSIDER FRANCHISEE'S INDIVIDUAL INTERESTS OR THE INTERESTS OF ANY OTHER PARTICULAR FRANCHISEE(S), EVEN IF A PARTICULAR DECISION/ACTION MAY HAVE NEGATIVE CONSEQUENCES FOR FRANCHISEE, A PARTICULAR FRANCHISEE OR GROUP OF FRANCHISEES.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE ULTIMATE DECISION-MAKING RESPONSIBILITY WITH RESPECT TO THE SYSTEM (AMONG OTHER THINGS) MUST BE, AS A PRACTICAL BUSINESS MATTER, VESTED SOLELY IN FRANCHISOR, SINCE FRANCHISEE, FRANCHISOR AND ALL OTHER FRANCHISEES HAVE A COLLECTIVE INTEREST IN WORKING WITHIN A FRANCHISE SYSTEM WITH THE UNRESTRICTED FLEXIBILITY TO QUICKLY ADJUST TO CHANGING BUSINESS CONDITIONS, INCLUDING COMPETITIVE CHALLENGES, NEW REGULATORY DEVELOPMENTS AND EMERGING BUSINESS OPPORTUNITIES. FRANCHISEE UNDERSTANDS AND AGREES THAT FRANCHISOR HAVING SUCH RIGHTS ARE CRITICAL TO ITS ROLE AS FRANCHISOR AND TO OBTAIN THE PARTIES GOALS FOR CONTINUING IMPROVEMENT OF THE SYSTEM.

12. REPRESENTATIONS

12.1 **No Authority.** NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE FRANCHISOR EXCEPT AN AUTHORIZED OFFICER OF FRANCHISOR BY A WRITTEN DOCUMENT. FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY OR ON BEHALF OF FRANCHISOR WHICH HAVE LED FRANCHISEE TO ENTER INTO THIS AGREEMENT.

12.2 **Receipt.** THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST 7 CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR FRANCHISEE'S PAYMENT OF ANY MONIES TO FRANCHISOR, REFUNDABLE OR OTHERWISE.

12.3 FRANCHISEE UNDERSTANDS THAT WHETHER IT, HE OR SHE SUCCEEDS AS A FRANCHISEE IS DEPENDENT UPON FRANCHISEE'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND THE CONTROL OR INFLUENCE OF FRANCHISOR. FRANCHISEE FURTHER UNDERSTANDS THAT SOME FRANCHISEES ARE MORE, OR LESS, SUCCESSFUL THAN OTHER FRANCHISEES AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE SHALL DO AS WELL AS ANY OTHER FRANCHISEE.

FRANCHISEE SPECIFICALLY ACKNOWLEDGES THAT IT, HE OR SHE HAS NOT RECEIVED OR RELIED ON (NOR HAS FRANCHISOR OR ANYONE ELSE PROVIDED) ANY STATEMENTS, PROMISES OR REPRESENTATIONS THAT FRANCHISEE WILL SUCCEED IN THE FRANCHISE BUSINESS; ACHIEVE ANY PARTICULAR SALES, INCOME OR OTHER LEVELS OF PERFORMANCE; EARN ANY PARTICULAR AMOUNT, INCLUDING ANY AMOUNT IN EXCESS OF FRANCHISEE'S INITIAL FRANCHISE FEE OR OTHER PAYMENTS TO FRANCHISOR; OR RECEIVE ANY RIGHTS, GOODS, OR SERVICE NOT EXPRESSLY SET FORTH IN THIS AGREEMENT. ANY STATEMENTS REGARDING ACTUAL, POTENTIAL OR PROBABLE REVENUES OR PROFITS OF ANY FRANCHISE BUSINESS NOT CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNAUTHORIZED, UNWARRANTED AND UNRELIABLE, FRANCHISOR WILL NOT BE RESPONSIBLE FOR IT AND IT SHOULD BE REPORTED TO FRANCHISOR IMMEDIATELY.

FRANCHISEE ACKNOWLEDGES AND UNDERSTAND THAT FRANCHISOR IS RELYING ON FRANCHISEE TO BRING FORWARD IN WRITING AT THIS TIME ANY MATTERS INCONSISTENT WITH THE REPRESENTATIONS CONTAINED IN THIS ARTICLE 12.3. FRANCHISEE AGREES THAT IF ANY OF THE STATEMENTS OR MATTERS SET FORTH IN THIS ARTICLE 12.3 ARE NOT TRUE, CORRECT AND COMPLETE THAT FRANCHISEE WILL MAKE A WRITTEN STATEMENT REGARDING SUCH NEXT TO FRANCHISEE'S SIGNATURE BELOW SO THAT FRANCHISOR CAN ADDRESS AND RESOLVE ANY SUCH ISSUE(S) AT THIS TIME.

12.4 **Opportunity for Review by Franchisee's Advisors. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS RECOMMENDED, AND THAT FRANCHISEE HAS HAD THE OPPORTUNITY TO OBTAIN, REVIEW OF THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT BY FRANCHISEE'S LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO ITS EXECUTION.**

12.5 **Execution Of Agreement. EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF THE BUSINESS ENTITY WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER, OFFICER, MEMBER OR MANAGER, THAT ALL OF THE EQUITY OWNERS OF FRANCHISEE, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE BUSINESS ENTITY.**

12.6 **Anti-Terrorism Law Compliance**. Neither Franchisee, any equity owner of Franchisee, nor any of its officers, directors, managers, members or employees, is, or at any time shall be named, either directly or by an alias or nickname, on the list of Specially Designated Nationals or Blocked Persons, which includes the names of suspected terrorists, as designated by the United States Department of the Treasury's Office of Foreign Assets Control, currently available at **http://www.ustreas.gov/offices/eotffc/ofac/sdn/index.html**. Franchisee acknowledges that Franchisor intends to comply, and Franchisee must comply, with all prohibitions against corrupt business practices, money laundering and support of terrorist activities, including those contained in the United States Patriot Act (currently available at **http://www.epic.org/privacy/terrorism/hr3162.html**), Executive Order 13224 (currently available at

http://www.ustreas.gov/terrorism.html), and related United States Treasury regulations and any similar law (***"Anti-Terrorism Law"***). Franchisee shall immediately notify Franchisor of any misrepresentation or breach of this Section 12.6. Franchisor may terminate this Agreement without any opportunity for Franchisee to cure under Section 8.2.2 upon any misrepresentation or breach by Franchisee of this Section 12.6.

13. PERSONAL GUARANTEES

If Franchisee is a corporation, general partnership or limited liability company, or subsequent to execution of this Agreement, Franchisee assigns this Agreement to a corporation, general partnership or limited liability company, all shareholders, all general partners or all members and managers respectively, hereby personally and unconditionally guarantee without notice, demand or presentment the payment of all of Franchisee's monetary and non-monetary obligations under this Agreement as if each were an original party to this Agreement in his or her individual capacity. In addition, all personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All personal guarantors shall execute a continuing personal guarantee in the form attached as Exhibit 2.

14. OWNERSHIP OF FRANCHISE

If Franchisee is a corporation, general partnership or limited liability company, or subsequent to execution of this Agreement, Franchisee assigns this Agreement to a corporation, general partnership or limited liability company, the Statement of Ownership Interest attached to this Agreement completely and accurately describes all of the equity owners and their interests in Franchisee. Subject to Franchisor's rights and Franchisee's obligations herein, Franchisee agrees to sign and deliver to Franchisor a revised Statement of Ownership Interest to reflect any permitted changes in the information that it now contains. Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) the transferee corporation's Articles of Incorporation, Bylaws, resolutions including, without limitation, the resolutions of the Board of Directors authorizing entry into this Agreement; or (ii) the limited liability company's certificate of organization or formation, the Operating Agreement; and all other governing documents. If Franchisee is an entity, it must be a single purpose entity and cannot operate any other business using the entity name.

The next page is the signature page.

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.

INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISEE:

_____

(Individual, Partnership, Corporation or LLC Name)

By:_____

Title: _____

FRANCHISOR:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

Witness_____

By:_____

Title: _____

EXHIBIT 1

INDIVIDUAL FRANCHISE LOCATION

The Approved Location for the Franchised Business is as follows:

TERRITORY

Franchisee's Territory is as follows:

FRANCHISEE:

Witness

(Individual, Partnership, Corporation or LLC Name)

By:_____

_____

Title:_____

FRANCHISOR:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____

Title: _____

EXHIBIT 2

PERSONAL GUARANTEE

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF ITS SHAREHOLDERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF ITS GENERAL PARTNERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY CORPORATION, ALL OF ITS MEMBERS AND MANAGERS MUST EXECUTE THE FOLLOWING UNDERTAKING.

The undersigned persons hereby represents to CLOSETS UNLIMITED OF NEW JERSEY, INC. (the "Franchisor"), that they are all of the shareholders of Franchisee, or all of the general partners of Franchisee, or all of the members and mangers of Franchisee, as the case may be. In consideration of the grant by Franchisor to Franchisee as provided under the Franchise Agreement between _____ ("Franchisee") and Franchisor, dated _____ 20__ (the "Franchise Agreement"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor, of said proposed transfer and obtaining the prior written consent of Franchisor and without first paying or causing to be paid to Franchisor, the transfer fee provided for in the Franchise Agreement, and without otherwise complying with the transfer provisions of the Franchise Agreement. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and noncompetition. The undersigned agree that the governing law and methods for resolution of disputes which govern this Guarantee shall be the same as those outlined in the Franchise Agreement.

EACH GUARANTOR ACKNOWLEDGES TO FRANCHISOR THAT GUARANTOR HAS READ THIS PERSONAL GUARANTEE AND UNDERSTANDS ITS TERMS AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTEE IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Dated:_____

_____
Print Name:

_____
Print Name:

_____
Print Name:

EXHIBIT 3(a)

CONFIDENTIALITY AGREEMENT

(For employees of the Franchisee)

1. Pursuant to a Franchise Agreement dated _____, 20___ (the "Franchise Agreement"), _____ (the "Franchisee") has acquired the right and franchise from CLOSETS UNLIMITED OF NEW JERSEY, INC. (the "Company") to establish and operate a _____ business (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only in the following territory: _____ (the "Territory").

2. The Company, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of More Space Place retail furniture stores, specializing in space-saving furniture products. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. In consideration for my employment with the Franchisee and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality and Non-Disclosure Agreement (the "Agreement").

4. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

5. As an employee of the Franchisee, the Company and Franchisee may disclose the Confidential Information to me via training programs, the Company's Confidential Operations Manual (the "Manual"), and other general assistance during the term of my employment with the Franchisee.

6. I will not acquire any interest in the Confidential Information, other than the right to utilize it in performing my duties for the Franchised Business during the term of my employment with the Franchisee and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition. I covenant that I will not forward or provide the Confidential Information to any third party, nor store it on any personal or third party

electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Company.

7. Any work performed by me during my employment with the Franchisee and any derivative works created by me using the Confidential Information or any proprietary information of the Company are considered "works made for hire" and I will have no ownership interest in the items created.

8. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of the Franchisee, and will continue not to disclose or use any such information even after I cease to be employed by the Franchisee, unless I can demonstrate that such information has become generally known to the public or easily accessible other than by the breach of an obligation of the Franchisee under the Franchise Agreement, a breach of the employees or associates of the Franchisee, or a breach of my own duties or the duties hereunder.

9. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

10. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

11. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, in addition to any other remedies available to them, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

12. This is not a contract for employment and does not guaranty my employment for any set period of time. I agree and understand that the Franchisee is my employer and I have no

employment relationship with the Company.

13. Subject to the rights of the Franchisee and the Company in Section 11, it is expressly acknowledged, understood and agreed that any and all claims, disputes or controversies that may arise concerning this Agreement, or the construction, performance, or breach of this Agreement, will be submitted to and adjudicated, determined and resolved through compulsory, binding arbitration. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the American Arbitration Association ("AAA"), unless otherwise required by law, for any action or proceeding arising out of or relating to this Agreement, unless otherwise mutually agreed by the parties. It is acknowledged, understood and agreed that any such arbitration will be final and binding and that by agreeing to arbitration, the parties are waiving their respective rights to seek remedies in court, including the right to a jury trial. The parties waive, to the fullest extent permitted by law, any right they may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement, whether based in contract, tort, statute (including any federal or state statute, law, ordinance or regulation), or any other legal theory. **It is expressly acknowledged, understood and agreed that: arbitration is final and binding; the parties are waiving their right to seek legal remedies in court including the right to a trial by jury; pre-arbitration discovery generally is more limited than and different from that available in court proceedings; the arbitrator's award is not required to include factual findings or legal reasoning; and any party's right to appeal or vacate, or seek modification of, the arbitration award, is strictly limited by law.** It is understood, acknowledged and agreed that in any such arbitration, each party will be solely responsible for payment of his/her/its own counsel fees, with the costs of arbitration borne equally by the parties. Questions regarding the enforceability and scope of this arbitration provision will be interpreted and enforced in accordance with the U.S. Federal Arbitration Act. Otherwise, the terms of this Agreement shall be governed by the laws of the State of employment. Any such arbitration will be conducted in the county and State of employment.

14. In the event any action for equitable relief, injunctive relief or specific performance is filed, or should any action be filed to confirm, modify or vacate any award rendered through compulsory binding arbitration, I hereby irrevocably agree that the forum for any such suit will lie with a court of competent jurisdiction in the county and State of employment, and hereby agree to the personal jurisdiction and venue of such court.

15. This Agreement will be binding upon and inure to the benefit of all parties including my heirs, personal representatives, successors and assigns and Franchisee's and Company's officers, directors, executives, employees, representatives, successors, agents and assigns. I understand that this Agreement may and will be assigned or transferred to, and will be binding upon and will inure to the benefit of, any successor of the Company, and any successor will be deemed substituted, for all purposes, as the "Company" under the terms of this Agreement. As used in this Agreement the term "successor" will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. I acknowledge that the services to be rendered by me in my employment are unique and

personal. Accordingly, I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

Dated: _____

Signature: _____

Name: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

By: _____

Name: _____

ACKNOWLEDGED BY COMPANY

By: _____

Name: _____

Exhibit 3(b)

CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(for non-affiliated spouses of Franchisee/Franchisee's owners)

1. Pursuant to a Franchise Agreement dated _____, 20___ (the "Franchise Agreement"), _____ (the "Franchisee") has acquired the right and franchise from CLOSETS UNLIMITED OF NEW JERSEY, INC. (the "Company") to establish and operate a _____ business (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only in the following territory: _____ (the "Territory").

2. The Company, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of More Space Place retail furniture stores, specializing in space-saving furniture products. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. In consideration for the Company agreeing to enter into a Franchise Agreement with the Franchisee and my access to Confidential Information of Franchisee and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality, Non-Disclosure and Non-Competition Agreement (the "Agreement").

4. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in assisting with the operation of the Franchised Business during the term of my spouse's association with the Franchisee or the expiration or termination of the Franchise Agreement, whichever occurs first, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition. I covenant that I will not forward or provide the Confidential Information to any third party, nor store it on any personal or third party electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Company.

7. I understand and agree that I will have no ownership interest in any derivative works created by me, the Franchisee's employees, or any third party using the Confidential Information or any proprietary information of the Company.

8. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with assisting the operation of the Franchised Businesses, and will continue not to disclose or use any such information even after my spouse ceases to be associated with the Franchisee, unless I can demonstrate that such information has become generally known to the public or easily accessible other than by the breach of an obligation of the Franchisee under the Franchise Agreement, a breach of the employees or associates of the Franchisee, or a breach of my own duties or the duties of my spouse hereunder.

9. Except as otherwise approved in writing by the Company, I shall not, during my spouse's association with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation (i) divert or attempt to divert any member, business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or (ii) own, maintain, engage in, be employed by, or have any interest in any other business which offers or sells products or services competitive with those sold or offered under the Closet & Storage Concepts or More Space Place System (a "Competing Business"); or (iii) own, maintain, engage in, be employed by or have any interest in any company that grants licenses or franchises for a Competing Business. Further, for a continuous uninterrupted period commencing upon the expiration or termination of (a) the Franchise Agreement or (b) my spouse's affiliation with the Franchisee (whichever occurs first), regardless of the cause for termination, and continuing for two (2) years, I shall not either directly or indirectly, for myself or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation (i) own, maintain, engage in, be employed by or have any interest in a Competing Business within the Territory or a radius of 20 miles from the Territory or any other More Space Place or Closet & Storage Concepts company owned or franchised business in operation or of any territory which is being considered or for which discussions are under way for a More Space Place or Closet & Storage Concepts franchise; or (ii) own, maintain, engage in, be employed by or have any interest in any company that grants licenses or franchises for a Competing Business.

The prohibitions in this Paragraph 9 do not apply to my spouse's continuing interests in or activities performed in connection with a Franchised Business that is still in operation.

10. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be

reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

11. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

12. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, in addition to any other remedies available to them, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

13. This is not a contract for employment. I agree and understand that I have no employment relationship with the Company.

14. The methods of dispute resolution and the governing law outlined in the Franchise Agreement are incorporated herein and shall govern any dispute in the meaning, understanding, effect, enforcement, interpretation or validity of this Agreement.

15. This Agreement will be binding upon and inure to the benefit of all parties including my heirs, personal representatives, successors and assigns and Franchisee's and Company's officers, directors, executives, employees, representatives, successors, agents and assigns. I understand that this Agreement may and will be assigned or transferred to, and will be binding upon and will inure to the benefit of, any successor of the Company, and any successor will be deemed substituted, for all purposes, as the "Company" under the terms of this Agreement. As used in this Agreement the term "successor" will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

Dated: _____ Signature: _____

Name: _____

Title:_____

ACKNOWLEDGED BY FRANCHISEE

By:_____

Name:_____

ACKNOWLEDGED BY COMPANY

By:_____

Name:_____

EXHIBIT 4

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") assigns and transfers to CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit "A" (the "Lease") respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified in this Agreement, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement between Assignee and Assignor for the operation of a More Space Place business (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor there from, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it shall not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

Witness

(Individual, Partnership, Corporation or LLC Name)

By: _____

_____

Title: _____

ASSIGNEE:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____

Title: _____

CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the aforedescribed Lease hereby:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with Section (a) above;

(c) Consents to the foregoing Collateral Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant there under, Lessor shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.

(e) On termination or expiration of the Franchise Agreement or the Lease, Assignee shall have the right to re-enter the Premises and make all necessary modifications or alterations to the Premises including the removal of all articles which display Assignee's Proprietary Marks. Assignee's re-entry shall not be deemed as trespassing.

DATED:

LESSOR:

_____

ASSIGNEE:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____

Title: _____

EXHIBIT 5
FORM OF GENERAL RELEASE
(Subject to Change)

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20___ ("Effective Date") by and among CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation having its principal place of business located at 436 Commerce Lane, Suite D, West Berlin, NJ 08091 (the "Franchisor"), _____, with an address of _____ ("Franchisee") and _____("Guarantors").

WHEREAS, Franchisor and Franchisee entered into a franchise agreement dated _____ (the "Franchise Agreement") which provides Franchisee with the right to operate a franchised business with a Territory consisting of _____(the "Franchised Business");

Wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein set forth, do agree as follows:

1. The Franchise Agreement shall be deemed terminated as of the Effective Date of this Agreement, however, Franchisee and its Guarantors shall be bound by the post-term restrictions and covenants contained in the Franchise Agreement and attached schedules for the periods set forth therein.

2. Franchisee and its officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, predecessors, successors and assigns and Guarantors, do each hereby release Franchisor, its parents, officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors and assigns, from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which Franchisee and its Guarantors had, from the beginning of time to this date, arising under or in connection with the Franchise Agreement, it being the express intention of each party that this Release is as broad as permitted by law. Further, no claim released hereunder has been assigned to any individual or entity not a party to this Agreement.

3. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

4. The governing law, methods of dispute resolution and any right to recovery of attorney's fees outlined in the Franchise Agreement shall apply to this Agreement as well.

5. This Agreement and the other documents referred to herein contain the entire agreement between the parties hereto pertaining to the subject matter hereof and supersede all prior agreements, except those contemplated hereunder or not inconsistent herewith. Any waiver, alteration or modification of any of the provisions of this Agreement or cancellation or replacement of this Agreement shall not be valid unless in writing and signed by the parties.

6. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

7. Any waiver of any term of this Agreement by Franchisor will not operate as a waiver of any other term of this Agreement, nor will any failure to enforce any provision of this Agreement operate as a waiver of Franchisor's right to enforce any other provision of this Agreement.

8. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same Agreement. Signature pages may be executed and delivered via facsimile or electronic transmission, and any such counterpart executed and delivered via facsimile or electronic transmission shall be deemed an original for all intents and purposes.

In Witness Whereof, the parties by their undersigned representatives hereby execute this Release.

FRANCHISOR

By:_____
Name:

FRANCHISEE

By:_____
Name:

GUARANTORS:

_____
, individually

EXHIBIT 6

DISCLOSURE QUESTIONNAIRE

As you know, Closets Unlimited of New Jersey, Inc. (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Closets and Storage Concepts business or a More Space Place business (each, a "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Acknowledgments and Representations

1. Did you receive a copy of Franchisor's Franchise Disclosure Document (and all exhibits and attachments at least 14 calendar days prior to signing the Franchise Agreement or paying any consideration to the Franchisor (10 business days for **Michigan**; the earlier of 10 business days or the first personal meeting for **New York;** and the earlier of 14 calendar days or the first personal meeting for **Iowa**)? Check one: ☐ Yes ☐ No. If no, please comment:

   _____

2. Have you studied and reviewed carefully Franchisor's Franchise Disclosure Document and Franchise Agreement? Check one: ☐ Yes ☐ No. If no, please comment:

   _____

3. Did you receive a copy of the Franchise Agreement with any unilateral material changes made by us at least seven calendar days prior to the date on which the

Franchise Agreement was executed? Check one: ☐ Yes. ☐ No If no, please comment:

_____

4. Did you understand all the information contained in both the Franchise Disclosure Document and Franchise Agreement? Check one ☐ Yes ☐ No. If no, please comment:

_____

5. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document, including statements, promises or agreements concerning advertising, marketing, training, support services or assistance to be furnished to you? Check one: ☐ No ☐ Yes. If yes, please state in detail the oral, written or visual claim or representation:

_____

6. Did any employee, broker, or other person speaking on behalf of Franchisor make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted, or projected sales, revenues, expenses, earnings, income or profit levels at any Franchised Business, or the likelihood of success at your Franchised Business? Check one: ☐ No ☐ Yes. If yes, please state in detail the oral, written or visual claim or representation:

_____

7. Do you understand that that the Franchise granted is for the right to develop one Franchised Business only in your Territory, and that Franchisor has the right, subject only to the limited rights granted to you under the Franchise Agreement, to issue Franchises or licenses or operate competing businesses for or at locations, as Franchisor determines, near your Franchised Business? Check one: ☐ Yes ☐ No. If no, please comment:

_____

8. Do you understand that the Franchise Agreement contains the entire agreement between you and Franchisor concerning your Franchised Business, meaning that any prior oral or written statements not set out in the Franchise Agreement or Franchise Disclosure Document will not be binding? Check one: ☐ Yes ☐ No. If no, please comment:

_____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for Franchised Business products and services, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Franchised Business may change? Check one ☐ Yes ☐ No. If no, please comment:

_____

10. You further acknowledge that Executive Order 13224 (the "Executive Order") prohibits transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

11. Please list all states in which the undersigned are residents:_____.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO FRANCHISOR AND THAT FRANCHISOR WILL RELY ON THEM. BY SIGNING THIS DOCUMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF

MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE FRANCHISEE A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____

Date: _____

Signed: _____

Date: _____

EXHIBIT 7

BUSINESS LOCATION AGREEMENT

The Location of the Business shall be at: _____.

FRANCHISEE HAS MADE THE FINAL DECISION TO ESTABLISH THE FRANCHISED BUSINESS AT THE ABOVE LOCATION BASED UPON FRANCHISEE'S INDEPENDENT INVESTIGATION AND EVALUATION OF THE LOCATION.

FRANCHISOR'S AUTHORIZED SIGNATURE BELOW SHALL SIGNIFY APPROVAL OF THE LOCATION. FRANCHISOR'S APPROVAL IS BASED, IN LARGE PART, ON INFORMATION RECEIVED FROM FRANCHISEE FOLLOWING FRANCHISEE'S INVESTIGATION OF THE LOCATION. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR'S APPROVAL OF THE LOCATION AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF THE LOCATION DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, BY FRANCHISOR THAT THE BUSINESS OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

FURTHER, ASSISTANCE BY FRANCHISOR MUST NOT BE INTERPRETED AS A REPLACEMENT FOR LEGAL COUNSEL. FRANCHISOR STRONGLY RECOMMENDS THAT FRANCHISEE CONSULT WITH AN ATTORNEY WHO IS EXPERIENCED IN REVIEWING COMMERCIAL LEASES.

FRANCHISOR MAKES NO REPRESENTATION OF ANY KIND THAT ANY PLANS IT PROVIDES AND ANY GUIDANCE IT OFFERS ARE IN CONFORMANCE WITH LOCAL BUILDING CODES, ORDINANCES, PERMIT REQUIREMENTS, LEASE, SUBLEASE OR ANY DEED RESTRICTIONS OR REQUIREMENTS (the "LOCAL REQUIREMENTS"). FRANCHISEE'S AUTHORIZED SIGNATURE BELOW SHALL SIGNIFY ACCEPTANCE OF ANY PLANS OR GUIDANCE PROVIDED BY FRANCHISOR TO WHICH FRANCHISEE SHALL ADHERE TO IN THE CONSTRUCTION OR RENOVATION OF THE BUSINESS LOCATION AT FRANCHISEE'S EXPENSE, MODIFIED ONLY SO AS TO COMPLY WITH SUCH LOCAL REQUIREMENTS. COMPLIANCE WITH SUCH LOCAL REQUIREMENTS SHALL AT ALL TIMES TO BE SOLE OBLIGATION AND RESPONSIBILITY OF FRANCHISEE.

FRANCHISEE SHALL BEAR THE EXPENSE OF DEVELOPING ITS LOCATION ACCORDING TO THE PLANS OR GUIDANCE WHICH FRANCHISOR MAY PROVIDE.

Dated: _____, 20___

Witness

_____

FRANCHISEE:

(Individual, Partnership, Corporation or LLC Name)

By:_____

Title:_____

FRANCHISOR:

CLOSETS UNLIMITED OF
NEW JERSEY, INC.

By: _____

Title: _____

EXHIBIT 8

STATEMENT OF OWNERSHIP INTEREST

Effective Date: This Exhibit is current and complete as of _____, 20__.

Franchisee Owners

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

_____

_____

_____

(b) **Corporation, Limited Liability Company, or Partnership.** (CIRCLE ONE) You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name. The following is a list of your directors, if applicable, managers, if applicable, and officers as of the effective date shown above:

Name of Each Director/Manager/Officer	Position(s) Held

2. **Owners**. The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	Owner's Name	Percentage/Description of Interest
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Identification of Operating Principal**. Your Operating Principal as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). You may not change the Operating Principal without Franchisor's prior written approval. The Operating Principal is the person to receive communications from Franchisor and Notice for Franchisee.

Address: _____

_____

E-mail Address: _____

[Signatures on following page.]

FRANCHISEE

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Print Name of Franchisee Entity]

By:_____
[signature of person signing on behalf of entity]

Title of Signer:_____

DATED:_____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

_____
[signature of individual franchisee]

Print Name:_____

DATED:_____

_____
[signature of individual franchisee]

Print Name:_____

DATED:_____

EXHIBIT 9

CONSENT TO TRANSFER

FORM OF TRANSFER AGREEMENT

This TRANSFER AGREEMENT (this "Agreement") is made and entered into as of the _____ day of _____, 20____ (the "Effective Date"), by and among CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation having its principal place of business located at 436 Commerce Lane, Suite D, West Berlin, NJ 08091 ("Franchisor"), _____ ("Franchisee"), _____ (collectively "Franchisee Guarantors"), _____ (collectively "Transferee Guarantors) and _____("Transferee").

WITNESSETH:

WHEREAS, a Franchise Agreement dated _____ (the "Franchise Agreement") was executed by and between Franchisor on the one hand, and Franchisee, on the other, for the operation of a franchised business with a territory comprised of _____ (the "Franchised Business").

WHEREAS, Franchisee desires to transfer to Transferee substantially all of the assets of the Franchised Business, and Franchisee has requested that Franchisor consent to the transfer thereof to Transferee. This Agreement is executed and delivered simultaneously with, and as a condition of the closing of the sale of the assets of the Franchised Business.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. **Recitals Included in Agreement.** The parties incorporate into this Agreement the recitals set forth above as if set forth in full.

2. **Consent.** Franchisor hereby consents to and waives any right of first refusal in connection with, the sale of the Franchised Business and the transfer by Franchisee to Transferee (the "Transaction"), subject to the terms of this Agreement.

Franchisor's consent and waiver to the Transaction is subject to and made in reliance upon the following terms, conditions, representations and warranties, failure to comply constituting a default and rendering the transaction void:

A. Franchisee represents, warrants, covenants and agrees that each of the

following are true and correct as of its respective date of execution, and shall remain true through the Effective Date of this Agreement:

(1) Franchisee is the sole owner of and possesses good and marketable right, title and interest in and to the Franchise Agreement and the Franchised Business; and no other person or entity owns or has any right, title or interest in and to the franchise, the Franchise Agreement and/or the Franchised Business.

(2) Franchisee Guarantors are the sole owners of Franchisee, and no other person or entity has an equity or beneficial ownership interest in Franchisee.

(3) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Franchisee, or any lease, contract, promissory note or agreement to which Franchisee is a party or is bound.

B. Transferee represents, warrants, covenants and agrees that each of the following are true and correct as of its respective date of execution, and shall remain true through the Effective Date of this Agreement:

(1) Effective as of the Effective Date Transferee will be the sole owner of and possess good and marketable right, title and interest in and to the franchise relating to the Franchised Business, and substantially all of the assets of the Franchised Business; and no other person or entity will own or have any right, title or interest in and to the franchise, and/or the Franchised Business. Transferee will sign a new franchise agreement contemporaneously therewith. Transferee's ownership composition is set forth on Schedule 1, attached hereto

(2) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Transferee, or any lease, contract, promissory note or agreement to which Transferee or Transferee's Guarantors are a party or are bound.

(3) Transferee has not received any representation, warranty or guarantee, express or implied, as to the potential volume, profits or success of the Franchised Business from Franchisor or Franchisor's officers, directors, employees, agents or servants.

(4) Transferee relied solely and exclusively on Transferee's own independent investigation of the franchise system and of the Franchised Business and the historical financial records of the Franchised Business provided to Transferee by Franchisee; that based on the receipt of the actual historical performance of the Franchised Business it would not be reasonable to rely on the financial performance representation contained in

Franchisor's Franchise Disclosure Document, or any other financial performance representation, pro forma or projection that differed or diverged, in whole or in part, from the Franchised Business' actual historical financial performance.

C. To the extent not already completed, Transferee and any required employees shall attend and complete, to the satisfaction of Franchisor, Franchisor's training program required of new franchisees, at the time directed by Franchisor.

D. Transferee represents, warrants, covenants and agrees that all information furnished or to be furnished to Franchisor by Transferee in connection with Transferee's request to receive a transfer is and will be, as of the date such information is furnished, true and correct in all material respects and will include all material facts necessary to make the information not misleading in light of the circumstances.

E. Franchisee and Transferee represent, warrant and agree that, subject to Franchisor's consent, Franchisee will sell and transfer, and Transferee will acquire, the Franchised Business and that all legal actions necessary to effect the sale and transfer have been or will be accomplished prior to or at Closing.

F. Effective as of the day and time Transferee takes title of the Franchised Business ("Closing"), Transferee expressly agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Franchisee so that Transferee could operate the Franchised Business as of the Closing, but no sooner than the Closing. Only Franchisee will have the right to operate the Franchised Business until Closing, unless otherwise expressly agreed in writing.

G. Transferee agrees to sign a new franchise agreement, along with all ancillary documents, and pay a transfer fee of $_____.

3. **No Security Interests in the Assets of Transferee.** The parties acknowledge and agree that Franchisee is not permitted to retain a security interest in the assets of the Franchised Business or the franchise without Franchisor's prior consent.

4. **Non-Participation.** Franchisee, Franchisee's Guarantors, Transferee's Guarantors and Transferee jointly and severally, acknowledge and agree that, except for the preparation and execution of this Agreement, Franchisor has not participated in the transaction between them and, therefore, has no knowledge of, and does not attest to, the accuracy of any representations or warranties made by or between Franchisee and Transferee in connection with this transfer. Franchisor assumes no obligations in that regard. Transferee acknowledges and agrees that the sale of the Franchised Business is for Franchisee's own account.

5. **Insurance.** Prior to Closing, Transferee must provide Franchisor with a Certificate of Insurance for the insurance coverages specified in the franchise agreement,

which policy(ies) must name Franchisor and all related parties as an additional insured.

6. **Changed Circumstances.** All parties understand and acknowledge that Franchisor may, in the future, approve offerings and transfers under different terms, conditions and policies. Franchisor's consent and waiver in this instance shall not be relied upon in future transactions as indicative of Franchisor's position or the conditions that might be attached to future consents or waivers of its right of first refusal.

7. **Singular Consent.** Franchisee and Transferee acknowledge and agree that Franchisor's execution of this Agreement is not intended to provide, and shall not be construed as providing, Franchisor's consent with regard to a transfer of any right or interest under any other agreement not specifically identified in this Agreement. Such consent must be separately obtained.

8. **Validity.** If any material provision or restriction contained herein shall be declared void or unenforceable under applicable law, the parties agree that such provision or restriction will be stricken, and this Agreement will continue in full force and effect. Notwithstanding this Paragraph, however, the parties agree that, to the extent Franchisor suffers harm as a consequence of the striking of such provision or restriction, the other parties to this Agreement shall exercise best efforts to make Franchisor whole.

9. **Indemnification.** Franchisee and Franchisee's Guarantors, jointly and severally, agree to indemnify, defend and hold harmless Franchisor and its principals or affiliates from and against any claims, losses, liabilities, costs or damages incurred by them as a result of or in connection with the operation of the Franchised Business by Franchisee, or any other actions by Franchisee or any persons for whom or which Franchisee is legally responsible. Without limiting the generality of the foregoing, Franchisee and Franchisee's Guarantors, joined by Transferee, and Transferee's Guarantors agree to indemnify, defend and hold harmless Franchisor from and against any claims, losses, liabilities or damages arising out of the transfer to Transferee or any dispute between Franchisee and Transferee.

10. **Counterparts.** All parties acknowledge and agree that this Agreement may be executed in counterparts and at various times and at various places by the several parties hereto, all of which counterparts taken together shall be deemed as one original. Executed facsimile or electronic copies of this Agreement shall be deemed to be as effective as original signatures.

11. **Miscellaneous.** The parties hereto agree that this Agreement constitutes, upon the execution of this Agreement by all of the parties and after it has been accepted and executed by Franchisor, the complete understanding between the parties regarding the subject matter hereof, and no representation, agreement, warranties, or statement, oral or in writing, not contained herein, shall be of any force and effect against any party, except the Termination Agreement and Release executed by Franchisee and the Franchisee's Guarantors shall remain valid, and this Agreement shall not be modified, altered or amended except in

writing signed by all parties. The waiver by any party of any breach or violation of any provision of this Agreement will not operate or be construed as a waiver of any other or subsequent breach or violation hereof. This Agreement will be binding upon the parties, and their respective heirs, executors, successors and assigns. The governing law and methods of dispute resolution in the Franchise Agreement shall govern this Agreement as well.

12. **Agreement Survives Closing**. All agreements, representations, warranties, terms and conditions set forth in this Agreement shall survive the execution and delivery of this Agreement, the Closing, and the consummation of the transactions provided for herein.

13. **Review of Agreement and Representation**. Franchisee, Franchisee's Guarantors, Transferee's Guarantors and Transferee each represent and acknowledge that he/she/it has received, read and understood this Agreement, including its exhibits; and that Franchisor has fully and adequately explained the provisions to each of their satisfaction; and that Franchisor has afforded each of them ample time and opportunity to consult with advisors of their own choosing about the potential benefits and risks of entering into this Agreement.

I HAVE READ THE ABOVE AGREEMENT. I WOULD NOT SIGN THIS AGREEMENT, IF I DID NOT UNDERSTAND IT AND AGREE TO BE BOUND BY ITS TERMS.

FRANCHISOR:
CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____

FRANCHISEE:

By: _____

FRANCHISEE GUARANTORS:
By: _____

, individually

By: _____

, individually

TRANSFEREE GUARANTORS:

By: _____

, individually

By: _____

, individually

TRANSFEREE:

By: _____

SCHEDULE 1

FRANCHISEE IDENTIFICATION AND OWNERSHIP

Effective Date: This document is current and complete as of _____, 20__

Franchisee Owners

1. **Form of Owner**. (Choose (a) or (b))

(a) **Individual Proprietorship**. List individual(s):

_____

_____

_____

(b) **Corporation, Limited Liability Company, or Partnership (circle one)**. You were incorporated or formed on_____ under the laws of_____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name. The following is a list of your directors, if applicable, managers, if applicable, and officers as of the effective date shown above:

Name of Each Director/Manager/Officer	Position(s) Held

2. **Principals**. The following list includes the full name of each person or entity who is one of your Principals (as defined in the Franchise Agreement), and fully describes the nature of each Principal's interest (attach additional pages if necessary).

	Principal's Name	Percentage/Description of Interest
(a)		

(b) _____ _____

(c) _____ _____

(d) _____ _____

3. **Identification of Operating Principal**. Your Operating Principal as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). You may not change the Operating Principal without Franchisor's prior written approval. The Operating Principal is the person to receive communications from Franchisor and Notice for Franchisee.

Address: _____

_____

E-mail Address: _____

(FRANCHISEE)

By: _____
Name:
Title:

DATED: _____

CLOSETS UNLIMITED OF NEW JERSEY, INC.
(FRANCHISOR)

By: _____
Name:
Title

DATED: _____

EXHIBIT 10

ASSIGNMENT AND ASSUMPTION AGREEMENT

(PARTNERSHIP, CORPORATION or LIMITED LIABILITY COMPANY)

THIS ASSUMPTION AND ASSIGNMENT AGREEMENT (the **"Agreement"**) is made and entered into on _____, 20___ (the "Effective Date") by and among CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation having its principal place of business located at 436 Commerce Lane, Suite D, West Berlin, NJ 08091 (**"Franchisor"**), _____ (**"Assignee"**), and _____an individual with an address at _____(**"Assignor"**).

BACKGROUND

A. Assignor and Franchisor entered into a certain Franchise Agreement dated _____(the **"Franchise Agreement"**) whereby Assignor was given the right and undertook the obligation to operate a franchised business (the **"Franchised Business"**) at the following location_____.

B. Assignor has organized and incorporated Assignee for the convenience and sole purpose of owning and operating the Franchised Business.

C. Assignor desires to assign the rights and obligations under the Franchise Agreement to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement.

D. Franchisor is willing to consent to the assignment of the Franchise Agreement to Assignee, subject to the terms and conditions of this Agreement, including the agreement by Assignor to guarantee the performance by Assignee of its obligations under the Franchise Agreement.

AGREEMENT

In consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all right, title and interest in and to the Franchise Agreement, effective as of the date hereof.

2. Assignee hereby assumes all of Assignor's obligations, agreements, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Franchisee

thereunder with the same force and effect as if the Franchise Agreement were originally written with Assignee as Franchisee.

3. Exhibit A to this Agreement lists all of Assignee's owners and their interests in Assignee as of the Effective Date. Assignee agrees that it and its owners will sign and deliver to Franchisor a revised Exhibit A to reflect any permitted changes in the information that Exhibit A now contains.

4. The Assignor, as an owner of Assignee and in consideration of benefits received and to be received, shall sign and deliver to Franchisor a personal guaranty in the form attached as Exhibit B to this Agreement.

5. Assignor, for himself/herself and his/her agents, servants, employees, partners, members, heirs, predecessors, successors and assigns does hereby release Franchisor, its officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors and assigns, from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which he/she had, from the beginning of time to this date, arising under or in connection with the Franchise Agreement.

6. Assignee agrees that the Franchised Business which Assignee will operate under the Franchise Agreement will be the only business Assignee operates (although Assignor may have other, non-competitive business interests);

7. This Agreement shall be binding upon and inure to the benefit of the parties and their heirs, successors and assigns.

8. The governing law and methods of dispute resolution in the Franchise Agreement shall govern this Agreement as well.

9. This Agreement shall constitute the entire integrated agreement between the parties with respect to the subject matter contained herein and shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

10. If Franchisor retains the services of legal counsel to enforce the terms of this Agreement, Franchisor shall be entitled to recover all costs and expenses, including travel, reasonable attorney, expert and investigative fees, incurred in enforcing the terms of this Agreement.

11. Each party declares that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Agreement.

12. The obligations of Assignor and Assignee under this Agreement shall be joint and several.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

ASSIGNOR:

_____

ASSIGNEE:

By:_____
Name:
Title:

FRANCHISOR:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____
Name:
Title:

EXHIBIT A TO CLOSETS UNLIMITED OF NEW JERSEY, INC.
ASSUMPTION AND ASSIGNMENT AGREEMENT

Effective Date: This document is current and complete as of _____, 20__

Franchisee Owners

1. **Form of Owner**. (Choose (a) or (b))

(a) **Individual Proprietorship**. List individual(s):

_____

_____

_____

(b) **Corporation, Limited Liability Company, or Partnership (circle one)**. You were incorporated or formed on_____ under the laws of_____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name. The following is a list of your directors, if applicable, managers, if applicable, and officers as of the effective date shown above:

2. **Principals**. The following list includes the full name of each person or entity who is one of your Principals (as defined in the Franchise Agreement), and fully describes the nature of each Principal's interest (attach additional pages if necessary).

	Principal's Name	Percentage/Description of Interest
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

(FRANCHISEE)

By:_____
Name:
Title:

DATED:_____

CLOSETS UNLIMITED OF NEW JERSEY, INC.
(FRANCHISOR)

By: _____
Name:
Title

DATED: _____

EXHIBIT B TO CLOSETS UNLIMITED OF NEW JERSEY, INC.
ASSUMPTION AND ASSIGNMENT AGREEMENT

GUARANTY

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF ITS SHAREHOLDERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF ITS GENERAL PARTNERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY CORPORATION, ALL OF ITS MEMBERS AND MANAGERS MUST EXECUTE THE FOLLOWING UNDERTAKING.

The undersigned persons hereby represents to CLOSETS UNLIMITED OF NEW JERSEY, INC. (the "Franchisor"), that they are all of the shareholders of Franchisee, or all of the general partners of Franchisee, or all of the members and mangers of Franchisee, as the case may be. In consideration of the grant by Franchisor to Franchisee as provided under the Franchise Agreement between _____ ("Franchisee") and Franchisor, dated _____ 20__ (the "Franchise Agreement"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor, of said proposed transfer and obtaining the prior written consent of Franchisor and without first paying or causing to be paid to Franchisor, the transfer fee provided for in the Franchise Agreement, and without otherwise complying with the transfer provisions of the Franchise Agreement. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and noncompetition. The undersigned agree that the governing law and methods for resolution of disputes which govern this Guarantee shall be the same as those outlined in the Franchise Agreement.

EACH GUARANTOR ACKNOWLEDGES TO FRANCHISOR THAT GUARANTOR HAS READ THIS PERSONAL GUARANTEE AND UNDERSTANDS ITS TERMS AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTEE IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Dated:_____

_____
Print Name:

_____
Print Name:

EXHIBIT 11

TELEPHONE, INTERNET WEB SITES AND LISTINGS AGREEMENT

THIS TELEPHONE, INTERNET WEB SITES AND LISTINGS AGREEMENT (the "Agreement") is made and entered into as of the _____ day of _____, 20___ (the "Effective Date"), by and between Closets Unlimited of New Jersey, Inc., a New Jersey corporation (the "Franchisor"), and _____, a _____ (the "Franchisee").

WITNESSETH:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a _____ franchised business (the "Franchise Agreement"); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **TRANSFER; APPOINTMENT**

2.1 Interest in Telephone Numbers, Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the "Telephone Numbers and Listings"), domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines

(collectively, the "Internet Web Sites and Listings") related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as "Franchisee's Interest").

2.2 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all Telephone companies or listing companies, Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the "Companies") with which Franchisee has Telephone Numbers and Listings or Internet Web Sites and Listings: (i) to transfer all of Franchisee's Interest in such Telephone Numbers and Listings or Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings or Internet Web Sites and Listings, Franchisee will immediately direct the Companies to terminate such Telephone Numbers and Listings or Internet Web Sites and Listings or will take such other actions as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Companies to transfer all Franchisee's Interest to Franchisor;

2.3.2 Direct the Companies to terminate any or all of the Telephone Numbers and Listings or Internet Web Sites and Listings; and

2.3.3 Execute the Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has

terminated.

2.5 Cessation of Obligations. After the Companies have duly transferred all Franchisee's Interest to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Telephone Numbers and Listings or Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Companies for the sums Franchisee is obligated to pay such Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings or Internet Web Sites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Agreement shall be joint and several.

3.9 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New Jersey, without regard to the application of New Jersey conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

CLOSETS UNLIMITED OF NEW JERSEY, INC.:	FRANCHISEE:
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

EXHIBIT 12
ELECTRONIC TRANSFER AUTHORIZATION

AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO CLOSETS UNLIMITED OF NEW JERSEY, INC. ("COMPANY")

Depositor hereby authorizes and requests _____ (the "Depository") to initiate debit and credit entries to Depositor's ☐ checking or ☐ savings account (select one) indicated below drawn by and payable to the order of Closets Unlimited of New Jersey, Inc. by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name:_____

City:_____ State:_____ Zip Code:_____

Transit/ABA Number:_____ Account Number:_____

This authority is to remain in full force and effect until Depository has received written notification from Closets Unlimited and Depositor of its termination.

Depositor: (Please Print)

_____

_____

_____
Date Signed

_____

_____
Signature(s) of Depositor, as Printed Above

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

Exhibit C

CLOSET & STORAGE CONCEPTS FRANCHISE AGREEMENT

Closets Unlimited of New Jersey, Inc.

CLOSET & STORAGE CONCEPTS
FRANCHISE AGREEMENT

CLOSET & STORAGE CONCEPTS
FRANCHISE AGREEMENT

Contents

1. GRANT OF FRANCHISE AND LOCATION 5
2. TERM AND RENEWAL 9
3. FEES AND COSTS; ADVERTISING 11
4. FRANCHISOR SERVICES 17
5. FRANCHISE SYSTEM STANDARDS 19
6. ACKNOWLEDGMENTS OF FRANCHISEE 28
7. SALE OR TRANSFER 32
8. BREACH AND TERMINATION 36
9. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION 39
10. NOTICES 40
11. INTERPRETATION 40
12. REPRESENTATIONS 42
13. PERSONAL GUARANTEES 44
14. OWNERSHIP OF FRANCHISE 44

Exhibits

Exhibit 1 - Territory
Exhibit 2 - Form of Guaranty
Exhibit 3 - Form of Confidentiality Agreement
Exhibit 4 - Business Location Agreement
Exhibit 5 - Form of Release
Exhibit 6 - Collateral Assignment of Lease
Exhibit 7 - Disclosure Questionnaire
Exhibit 8 - Statement of Ownership Interest
Exhibit 9 - Consent to Transfer
Exhibit 10 - Assignment and Assumption Agreement
Exhibit 11 - Telephone, Internet Websites and Listing Agreement
Exhibit 12 - Electronic Transfer Authorization

CLOSET & STORAGE CONCEPTS

FRANCHISE AGREEMENT

THIS AGREEMENT is entered into and made effective this _____ day of _____, 20___, by and between CLOSETS UNLIMITED OF NEW JERSEY, INC. t/a Closet & Storage Concepts, a New Jersey corporation with its principal business address at 436 Commerce Lane, Suite D, West Berlin, NJ 08091 ("Franchisor") and _____, whose address is _____ _____ ("Franchisee").

BACKGROUND

A. Franchisor and/or its predecessor or affiliate, through the expenditure of considerable money, time and effort, has developed a business system (the "Closet & Storage Concepts System" or the "System") for the design, marketing, construction and installation of customized residential and commercial storage space including closets, garages, and other storage areas for consumers and the selling of related retail accessories in a retail showroom, which includes: high standards of services, products, know-how and trade secrets; uniform specifications of products and services, equipment and fixtures; sales techniques, and merchandising, marketing, advertising, and management systems; quality and inventory control procedures; and procedures for operation and management of Closet & Storage Concepts businesses pursuant to the Operations Manual (as hereinafter defined) provided by Franchisor and modified from time to time and other standards and specifications Franchisor otherwise provides.

B. The System is identified by various trade names, trademarks and service marks used by Franchisor and its franchisees including, without limitation, the service marks "Closet & Storage Concepts®", "Conquer Closet Clutter®", "Closet & Storage Concepts (and Design)®", "Getting Organized is Always in Style®," "Getting Organized is Always in Style!," "Got Space?" and other identifying marks and symbols that Franchisor uses now or may later use as part of the System (the "Proprietary Marks"). The rights to all the Proprietary Marks shall be owned exclusively by Franchisor or its affiliate.

C. Franchisor is engaged in the business of granting franchises to qualified individuals and business entities to use the System to operate Closet & Storage Concepts franchises.

D. Franchisee has applied to Franchisor for a franchise to operate a Closet & Storage Concepts business using the System and Proprietary Marks and to receive the training, confidential information and other assistance Franchisor provides. Franchisor has approved Franchisee's application in reliance upon all of the representations made in the application.

E. By executing this Agreement, Franchisee acknowledges the importance of Franchisor's quality and service standards and agrees to operate Franchisee's business in accordance with those standards and as described in the System. Franchisee also acknowledges that adhering to the terms of this Agreement and implementing the System as Franchisor directs are essential to the operation of Franchisee's business, to the System and to all Franchisor's franchisees.

In consideration of the mutual promises and commitments contained in this Agreement, together with other valuable consideration, the receipt and sufficiency of which is acknowledged, Franchisor and Franchisee agree as follows:

1. GRANT OF FRANCHISE AND LOCATION

1.1 **Grant and Acceptance.** Franchisor grants to Franchisee, and Franchisee accepts, all subject to the terms of this Agreement: a franchise to establish and operate one Closet & Storage Concepts business using the Closet & Storage Concepts System and the Proprietary Marks pursuant to this Agreement (the "Franchised Business"). Franchisee shall use the Proprietary Marks, participate in the promotional, advertising and marketing programs that are made available to Franchisee, and have access to certain proprietary trade secrets, marketing and business expertise of Franchisor, as they may be modified from time to time, in connection with the Franchised Business. If Franchisor determines that demand justifies it, Franchisee may be permitted to operate a satellite location within the granted Territory pursuant to all terms and conditions of this Agreement, as applicable, unless otherwise expressly indicated.

1.2 **Approved Location.** The exact address of Franchisee's Closet & Storage Concepts business is set forth on Exhibit 1 and Exhibit 4 of this Agreement (said address is hereinafter referred to as the "Approved Location"). If the Approved Location is not identified in Exhibit 1 and Exhibit 4 when the parties execute this Agreement, Franchisee shall find a location and submit it to Franchisor for approval as required in Section 1.3.

1.3 **Site Search; Purchase or Lease of Premises.** Within one hundred and twenty (120) days after Franchisor's execution of this Agreement, Franchisee shall execute a Business Location Agreement in the form attached hereto as Exhibit 4. The parties may extend the 120 day period for an additional 120 days provided Franchisee diligently complied with the obligations of this Section 1.3. Prior to acquiring by lease or purchase a site for the Franchised Business, Franchisee with Franchisor's assistance (as described in Section 4.2 of this Agreement) shall locate a site for the Franchised Business that satisfies the site selection guidelines provided to Franchisee by Franchisor pursuant to Section 4.2 of this Agreement. Franchisee shall submit to Franchisor in the form specified by Franchisor a description of the site, including evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines, together with such other information and materials as Franchisor may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Franchisor generally will approve or disapprove the site within sixty (60) days after submission of the required information. If Franchisee will purchase the Approved Location for the Franchised Business, Franchisee shall submit a copy of the proposed contract of sale to Franchisor for its written approval prior to its execution and shall furnish to Franchisor a copy of the executed contract of sale within ten (10) days after execution. In the event of such purchase, Franchisee shall grant Franchisor the option to acquire the Approved Location in the event of any default by Franchisee under this Agreement or under any mortgage relating to the Approved. If Franchisee will occupy the Approved Location under a lease, Franchisee shall negotiate and execute a lease for the site with the landlord of the showroom site on terms satisfactory to Franchisor; provided, however, that, prior to execution of the lease, Franchisee shall submit a copy of the lease to Franchisor for its written approval.

1.3.1 Franchisor shall not approve any lease for the proposed location unless it contains certain provisions, including (i) a limitation that the premises shall be used only for a Closet & Storage Concepts business; (ii) a prohibition against assignment, subletting exercise or non-exercise of any option to extend, renew or purchase by Franchisee without Franchisor's prior written approval; (iii) permission for Franchisor to enter the premises and make changes to protect the Proprietary Marks; (iv) Franchisor will be given prior written notice of and have the option to cure any default of Franchisee under the lease; (v) the layout, sign usage and hours of operation of the Franchised Business as proposed in the Agreement and Operations Manual are permitted under the terms of the lease; and (vi) the lessor will agree not to lease premises in the immediate vicinity of the Approved Location to competing retail establishments that sell custom closet and garage storage services or related retail products and items without Franchisor's prior written consent. The lease shall be for a term at least equal to the term of this Agreement or, in the alternative, for a shorter term provided the lease is renewable at the option of Franchisee for an additional term or terms which, together with the initial term, equal or exceed the term of this Agreement. The lease must also contain general business terms acceptable to Franchisor. In addition, prior to execution of the lease, Franchisor and Franchisee shall execute the Collateral Assignment of Lease which grants Franchisor the right but not the obligation to assume the lease upon Franchisee's default under the lease or this Agreement. Upon execution of the lease, Franchisor and lessor shall execute the Consent and Agreement of Lessor. The Collateral Assignment of Lease and Consent and Agreement of Lessor shall be in the forms attached as Exhibit 6 to this Agreement. Franchisee shall deliver an executed copy of the lease to Franchisor within 15 days after the execution of the lease.

1.3.2 Franchisee must complete the development of and open the Franchised Business for business by the earlier to occur of: (i) 120 days after the date of execution of the Business Location Agreement, or (ii) within 240 days after the date of the execution of this Agreement.

1.3.3 Franchisor's review of the lease for the premises and its acceptance of the site selected by Franchisee does not constitute Franchisor's representation or guarantee that Franchisee shall succeed at the selected location, nor an expression of Franchisor's opinion regarding the terms of the lease or the viability of the location.

1.3.4 In the event the lease term is shorter than the term of this Agreement and the lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Approved Location, Franchisee shall relocate the Franchised Business to a site mutually acceptable to Franchisee and Franchisor in accordance with Franchisor's specifications and subject to the provisions of Sections 1.6 through 1.8, in order to complete the balance of the term of this Agreement. Franchisee shall give Franchisor notice of Franchisee's intent to relocate and must complete all steps to either enter into a lease or sublease or an agreement to purchase the site within 60 days after closing the Franchised Business at the original location. Franchisee must open the Franchised Business for business at the new location within 180 days of closing the original location. If Franchisee fails to comply with the terms of this Section 1.3.4, Franchisor may terminate this Agreement

1.4 **Territory**. Except as otherwise provided herein and to the extent consistent with Federal and state law and subject to Franchisee's full compliance with this Agreement and any other agreement between Franchisor and Franchisee, Franchisor will not own, operate, sell, issue or allow any other party to operate a Closet & Storage Concepts business at a location within the Territory designated in Exhibit 1 of this Agreement (hereinafter referred to as the "Territory"). Although Franchisee is not restricted as to the customers whom it may serve in the Territory, Franchisee is not permitted to operate a Closet &

Storage Concepts business at a location or solicit customers within the Territory of another franchisee of the System except as otherwise provided herein.

The Franchisor reserves the right, in its sole discretion, to operate or authorize others to operate, or grant licenses to operate businesses under the Proprietary Marks at any location, and on such terms and conditions, as Franchisor shall determine outside of the Territory, regardless of proximity thereto, up to and including a location immediately adjacent to the Territory.

1.5 **Exclusivity of Territory.** In order to facilitate the successful development of the Franchisee's Closet & Storage Concepts business and to protect Franchisee's investment therein, Franchisor grants to Franchisee the exclusive right, except as otherwise provided herein and except to the extent inconsistent with Federal or state law, to operate the Closet & Storage Concepts business within the Territory. Except as otherwise provided herein, neither Franchisor nor any other of its franchisees shall be authorized to establish a Closet & Storage Concepts business at a location or solicit customers within the Territory. Franchisor and/or Franchisor's affiliates, retain all other rights, including without limitation, (i) the right to own, operate, franchise or license (whether in connection with a merger or acquisition or otherwise), businesses of any type operating under names other than the Proprietary Marks, regardless of whether or not these other concepts offer products and services which are similar to or competitive with those offered by the Franchised Business and regardless of location and the right to convert those locations to Franchised Businesses; and (ii) the right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business, with locations anywhere, which may result in the required conversion of Franchised Businesses.

If Franchisee has selected a Territory having a population of under 1,000,000 individuals in Section 3.1, the Territory established under Section 1.4 may be located within or overlap the Territory of a franchise having a population of over 1,000,000 individuals (the "larger franchise") with the consent of such franchisee. In such event, the franchisee of the larger franchise may solicit customers within Franchisee's Territory, and Franchisee may solicit customers within the Territory of the larger franchise.

With the written consent of Franchisor, Franchisee may operate the Franchised Business out of more than one location within the Territory provided that each of the following conditions precedent are fulfilled:

1.5.1 The Franchisee shall submit reasonable projections based upon pertinent marketing data that the Territory can support such multiple locations and that the opening of multiple locations is desirable to avoid loss of marketing position and business to competition;

1.5.2 The Franchisee shall demonstrate that at the establishment of more than one location does not impact materially and adversely upon a franchise location or potential franchise location outside of the Territory; and

1.5.3 In obtaining the lease for the additional locations, Franchisee shall comply with the requirements set forth in Section 1.3 of this Agreement.

Any such additional Closet & Storage Concepts business location established by Franchisee under this Section 1.5 shall be governed by the terms and conditions of this Agreement, including, but not limited to, Franchisee's obligation to pay Royalties and Local Advertising fees with respect to each and

every location established hereunder. For the purposes of determining these fees, the Gross Revenues of all locations operated by Franchisee under a single Franchise Agreement within a single Territory shall be aggregated.

1.6 **Selection of New Location.** The location to be proposed pursuant to Section 1.3.4 above shall be within the Territory; provided, however, that if Franchisor determines that no appropriate location is available within the Territory, then Franchisor shall propose the next nearest location determined by it to be appropriate and available. The selection of a particular location within the Territory, the determination that an appropriate location is not available within the Territory and the determination, if necessary, of the next nearest appropriate and available location outside the Territory, shall all be within the sole and absolute discretion of Franchisor and its decisions thereon shall be final.

1.7 **Relocation Proposal.** The proposal by Franchisor of a new location at which Franchisee's Closet & Storage Concepts business may be operated shall be given to Franchisee in writing. If such location is to be leased, subleased, or sold by Franchisor or any affiliated corporation to Franchisee, such proposal shall be accompanied by a statement of such requirements as may be prescribed by Franchisor relating to the construction or alteration of improvements on the premises. Franchisor shall not submit to Franchisee any lease or sublease with Franchisor or any affiliated entity the term of which extends beyond the term of this Agreement. Franchisor's proposal of a location does not constitute Franchisor's representation or guarantee that Franchisee shall succeed at the selected location, nor an expression of Franchisor's opinion regarding the viability of the location.

1.8 **Acceptance of Relocation.** If, within thirty (30) days after receipt of Franchisor's proposal of such new location, Franchisee gives to Franchisor written notice of acceptance of such proposal, and either enters into such tendered lease, sublease, or sale contract, or if none is tendered, agrees in writing to comply with any and all requirements prescribed by Franchisor relating to the lease of the Closet & Storage Concepts business premises and construction or alteration of improvements on the premises, then notwithstanding the termination right at Section 8.2.2 (r) of this Agreement, this Agreement shall continue for the remainder of the term specified in Section 2.1 of this Agreement and shall be deemed amended to refer to such new location. If Franchisee fails to comply with the provisions of this Section 1.8 within said thirty (30) day period, then Franchisor shall have the right to terminate this Agreement pursuant to Section 8.2.2 (r), and Franchisee shall have no further rights under or by virtue of Sections 1.6 through 1.8 of this Article.

1.9 **Other Channels of Distribution.** Subject to the restrictions set forth in Sections 1.3 and 1.4 above, Franchisor and Franchisor's affiliates, reserve the unrestricted right to offer products and services, whether now existing or developed in the future, identified by the Proprietary Marks or other marks Franchisor and/or Franchisor's affiliates own or license, through any distribution method Franchisor or its affiliates may establish, and may franchise or license others to do so, both within and outside the Territory, regardless of whether the offering of products or services in the other channels of distribution compete with Franchisee's Closet & Storage Concepts business. These other channels of distribution may include locations and venues other than a Closet & Storage Concepts location, other retail establishments, mail order, catalogs, the Internet, and any similar outlets or distribution methods as Franchisor and/or its affiliates determine, in Franchisor's or its affiliate's sole discretion. This Agreement does not grant Franchisee any rights to distribute products through other channels of distribution as described in this Section 1.9, and Franchisee has no right to share, nor does Franchisee expect to share, in any of the proceeds Franchisor and/or Franchisor's affiliates or franchisees or licensees or any other party receives in connection with the alternate channels of distribution.

2. TERM AND RENEWAL

2.1 **Term.** This Agreement grants rights to Franchisee for a period of 10 years and is effective when signed by Franchisor.

2.1.1 **Renewal Option.** Subject to the provisions of this Article 2, Franchisee is hereby granted an option to extend this Agreement for one (1) successive ten (10) year period (hereinafter referred to as the "Renewal Period"). This option may be exercised by Franchisee by giving written notice of its election to renew the franchise not less than 6 months nor more than 12 months prior to the expiration of the current term. Upon payment of the renewal fee set forth in Section 2.2 below and compliance with all other conditions for exercise of the renewal option set forth in Section 2.5 of this Agreement at least five (5) days prior to the expiration date, this Agreement shall be renewed for an additional ten (10) years (the date of such renewal shall be hereinafter referred to as the "Renewal Date"). If this Agreement is renewed in accordance with this Section 2.2, then the term of this Agreement shall include the Renewal Period.

2.2 **Renewal Fee.** The renewal fee shall be the sum of: (i) For franchises with a territory having a population of less than 1,000,000 individuals: 25% of the then current Initial Franchise Fee for a franchise of that size, subject to a minimum of $4,875; or (ii) For franchises with a territory of $1,000,000 or more individuals: 25% of the then current Initial Franchise Fee for a franchise of that size, subject to a minimum of $9,625.

2.3 **Royalties after Renewal.** At the beginning of and during the Renewal Period, the royalties payable to Franchisor shall be the same as the royalties provided in the franchise agreements being used by Franchisor as of the Renewal Date.

2.4 **Conditions for Renewal Option.** Franchisee shall have the right to exercise the renewal option referred to in Section 2.2 above provided that all of the following conditions have been satisfied:

2.4.1 Franchisee shall repair or replace, at Franchisee's cost and expense, equipment (including electronic cash register or computer hardware or software systems), signs, interior and exterior decor items, fixtures, or furnishings, supplies and other products and materials required for the operation of the Closet & Storage Concepts business as Franchisor may reasonably require and shall obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials which may be reasonably required by Franchisor for Franchisee to offer and sell new products and services from the Closet & Storage Concepts business and shall otherwise modernize the business' premises, equipment (including electronic cash register or computer hardware and software systems), signs, interior and exterior decor items, fixtures, furnishings and supplies and other products and materials required for the operation of the Closet & Storage Concepts business as reasonably required by Franchisor to reflect the then current standards and image of the System as contained in the Operations Manual or otherwise provided in writing by Franchisor; and

2.4.2. Franchisee shall present satisfactory evidence that Franchisee has the right to remain in possession of the premises at the Approved Location or obtain Franchisor's approval of a new site for the operation of the Approved Location for the duration of the renewal term of this Agreement.

2.4.3 Franchisee has executed a release of any and all claims against Franchisor and its affiliates, and their equity owners, officers, directors, agents, employees, attorneys and accountants arising out of or related to this Agreement or any related agreement. The release shall contain language and be of the form chosen by Franchisor, except the release shall not release any liability specifically provided for by any applicable state statute regulating franchising. Our current form of release is attached to this Agreement as Exhibit "5".

2.5 **Additional Franchise Locations.** If at any time during the initial term or the Renewal Period under this Agreement, Franchisor reasonably determines, based on pertinent marketing data, that one (1) or more additional Closet & Storage Concepts business locations are necessary in the Territory in order to avoid loss of market position and business to competitors and that Franchisee is unable to adequately service the Territory by its existing Closet & Storage Concepts business location(s), Franchisee, Franchisor or a new franchisee licensed by Franchisor may operate such additional business location so long as the following conditions are met:

2.5.3 Franchisor communicates in writing to Franchisee its intention to open said additional location, based on the reasonable market projections and determinations set forth above;

2.5.4 Franchisor provides Franchisee a ninety (90) day right of first refusal to elect to open the additional location in the Territory, following receipt of notification from Franchisor;

2.5.5 in the event Franchisee elects not to open the additional Closet & Storage Concepts business location pursuant to this Section or fails to open said location within three (3) months after it makes the election (except if such failure is due to reasons beyond the control of Franchisee such as Acts of God, war or similar occurrences provided that Franchisee has made a good faith effort to open the location), Franchisor shall have the right to accept, in its sole and exclusive discretion, offers from other parties to become a franchisee in the Territory or to operate a Franchisor-owned Closet & Storage Concepts business location in the Territory;

2.5.6 in the event that Franchisee elects to open the additional Closet & Storage Concepts business location pursuant to this Section, the right to operate such location shall be governed by the terms and conditions of this Agreement as amended, including, but not limited to, Franchisee's obligation to pay Royalties under Article 3 of this Agreement and Local Advertising fees with respect to each and every additional Closet & Storage Concepts business location established hereunder by aggregating the Gross Revenues of all of its locations within a single Territory. There will be no payment of any additional initial franchise fee with respect to an additional location;

2.5.7 the election of Franchisee not to open the additional Closet & Storage Concepts business location pursuant to this Section shall not prevent Franchisee from exercising its rights to open additional locations in the Territory in accordance with Section 1.4 of this Agreement, provided, however, that Franchisor may consider the proximity of any such additional location to the additional Closet & Storage Concepts business location(s) opened hereunder in determining whether to give its consent to any such other additional location, and Franchisor's decision to withhold its consent based upon such consideration shall not be or be deemed to be unreasonable; and

2.5.8 in the event that more than one Closet & Storage Concepts business location is determined to be necessary in the Territory by Franchisor, Franchisee shall notify Franchisor within thirty (30) days after the opening of the first additional Closet & Storage Concepts business location of Franchisee's desire to open the additional Business locations deemed necessary in the Territory after which Franchisor and Franchisee shall proceed again as outlined in this Section.

2.6 **Franchisor's Election Not to Renew.** In the event Franchisor determines that Franchisee will not have the right to exercise the renewal option referred to in Section 2.2 above, pursuant to Section 2.5, above, and Franchisor is unwilling to renew the Franchise granted by this Agreement, Franchisor shall forward to Franchisee, not less than nine (9) months prior to expiration, a Notice of Probable Intention Not to Renew ("Notice"). Such Notice shall set forth the acts and/or omissions of Franchisee which constitute the reasons under this Agreement that Franchisor is unwilling to renew. In the event Franchisor is convinced that Franchisee is incapable of fulfilling its obligations under this Agreement, Franchisor shall then send to Franchisee a Notice of Refusal to Renew at least six (6) months prior to the expiration of this Agreement. The notice shall state the reasons for the refusal to renew and the effective date of the expiration of this Agreement. Such Notice of Refusal to Renew shall be deemed to supersede, revoke, and otherwise withdraw the option of Franchisee to renew. In the event Franchisor is satisfied that Franchisee is able to and will correct any uncured deficiencies claimed in its Notice of Probable Intention Not to Renew, Franchisee will be so advised and will be allowed to exercise its option to renew referred to in Section 2.2 above.

Franchisor shall not refuse to renew this Agreement without fairly compensating the Franchisee for the fair market value, at the time of expiration of the Agreement, of the Franchisee's inventory, supplies, equipment, and furnishings purchased from the Franchisor, exclusive of personalized materials which have no value to the Franchisor and inventory, supplies, equipment and furnishings not reasonably required in the conduct of the Closet & Storage Concepts business; and provided, further, that Franchisor may offset against amounts owed to a Franchisee under this subsection any amounts owed by the Franchisee to the Franchisor.

3. FEES AND COSTS; ADVERTISING

3.1 **Initial Franchise Fee.** Franchisee will pay, concurrently with the execution of this Agreement, to Franchisor the sum of:

(CHOOSE EITHER BY INITIALING THE APPROPRIATE BOX)

Franchisor	Franchisee	
❒	❒	Nineteen Thousand Five Hundred Dollars ($19,500.00). If this Agreement is for a

Franchised Business beyond Franchisee's first Franchised Business the Fee will be Fifteen Thousand Dollars ($15,000.00). *for a Territory having a population of under 1,000,000 individuals. This does not apply to additional locations of Franchisee within the same Territory.

OR

Franchisor	Franchisee	
❒	❒	Thirty-Eight Thousand Five Hundred Dollars ($38,500.00). If this Agreement is for a Franchised Business beyond Franchisee's first Franchised Business the Fee will be Thirty Thousand Dollars ($30,000.00). *for a Territory having a population of 1,000,000 or more individuals. This does not apply to additional locations of Franchisee within the same Territory.

as an initial fee for the Franchised Business hereby granted. Said Initial Franchise Fee is in addition to the obligation of Franchisee to make periodic royalty payments pursuant to Section 3.3 hereof.

3.2 **Refund of Initial Franchise Fee.** The Initial Franchise Fee referred to in Section 3.1, above, shall be deemed fully earned by Franchisor after due execution and delivery of this Agreement by Franchisor. Except as herein expressly provided, said Initial Franchise Fee shall not be refunded, in whole or in part, upon any termination of this Agreement nor under any other circumstances whatsoever.

3.3 **Royalty Fee.**

3.3.1 **Royalty Based on Gross Revenue.** Franchisee agrees to pay to Franchisor in accordance with Section 3.3.3, during the term of this Agreement, 5% of all weekly Gross Revenues of the Franchised Business subject to a minimum of $125.00 per week. The Gross Revenues of all of Franchisee's locations within a single Territory are aggregated for purposes of determining the correct Royalty Fee. If the term of this Agreement commences or ends on the day other than the first or last day of a week, respectively, the royalty for such week shall be based on Gross Revenue for the portion of the week commencing or ending with the date of commencement or termination of the term of this Agreement, as the case may be.

3.3.2 **"Gross Revenue" Defined.** For the purpose of this Agreement, above, the term "Gross Revenue" is defined as the total gross revenue derived by Franchisee from the operation of Franchisee's Closet & Storage Concepts business whether from sales for cash or credit, including sales of both products and services, and including installation charges, exclusive of all sales taxes, use taxes, Gross Revenue taxes and other similar taxes added to the sales price and collected from the customer, and less any bona fide refunds, rebates, and discounts. Royalties received by Franchisor pursuant to this

Section shall not be deemed trust funds nor shall Franchisor be required to segregate such funds in any way, but they shall be deemed general funds of Franchisor for all purposes.

3.3.3 **Manner of Payment.** Franchisee shall participate in Franchisor's electronic funds transfer program under which Franchisor automatically deducts the weekly royalty and other payments owed to Franchisor under this Agreement from Franchisee's bank account. Before opening, Franchisee shall sign and give to Franchisor's bank all documents necessary to effectuate this program. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to submit all payments due to Franchisor or its affiliates arising out of or related to the Franchised Business in any form or manner Franchisor prescribes. All weekly payments required under this section shall be due and deducted from Franchisee's bank account on Monday of each week on the receipts for the preceding week. The royalty calculations shall be based on the weekly reports and/or statements signed by Franchisee in the form specified by Franchisor indicating all Gross Revenue (as defined in Section 3.3.2) of Franchisee during the applicable week, which must be submitted to Franchisor on or before the close of business on Monday of each week. Such reports shall include all sales generated by Franchisee (including any sales from the Approved Location or otherwise) during the previous week, shall be complete, shall be filed timely and shall be signed by Franchisee or its designated manager. If Franchisee fails to submit any weekly revenue report on a timely basis, Franchisor may estimate Gross Revenues and withdraw from Franchisee's operating account the amounts estimated to be due which will be reconciled when the required reports are received.

3.3.4 **Insufficient Funds.** If the funds in Franchisee's bank account are insufficient to cover any amounts due under this Agreement on the date such funds are due, in addition to the overdue amount, Franchisor shall immediately be entitled to debit from Franchisee's bank account interest and charge its then-current fee to cover bank charges and administrative costs.

3.3.5 **Monthly Gross Revenue Report.** Franchisee shall submit to Franchisor within ten (10) days after the close of each calendar month a true, correct, and complete statement of gross revenue for such month on forms provided by Franchisor, containing all information called for by such forms and certified to by Franchisee as provided in Section 5.15 of this Agreement. Such reports will reconcile the monthly Gross Revenue of Franchisee with Franchisee's weekly Gross Revenue and royalty payments.

3.3.6 **Annual Revenue Report.** Within sixty (60) days after the close of Franchisee's fiscal year, Franchisee shall furnish a statement, on forms provided by Franchisor, containing all of the information requested on such forms, certified to by Franchisee and signed by Franchisee's accountant, showing the total net revenue for said preceding fiscal year, as finally adjusted and reconciled after the closing and review of Franchisee's books and records for such fiscal year. If such statement discloses any underpayment of royalties for such fiscal year, Franchisee shall pay to Franchisor, at the time of submitting such statement, the amount of any such underpayment. Any overpayment shall be credited to Franchisee's account.

3.4 **Advertising Generally.** Franchisee agrees to actively promote the Franchised Business and to abide by all of Franchisor's advertising requirements. With regard to advertising generally for the Franchised Business, Franchisee shall use only such signs, emblems, lettering, logos and display and advertising materials as Franchisor approves in writing from time to time. All advertising, marketing and

promotion by Franchisee of any type shall be conducted in a dignified manner, shall coordinate and be consistent with Franchisor's marketing plans and strategies and shall conform to the standards and requirements Franchisor prescribes. Samples of all sales promotional materials and advertising desired to be used by Franchisee including, without limitation, newspaper, radio and television advertising, specialty and novelty items, signs, boxes, bags and other packaging which have not been previously approved by Franchisor or which were approved by Franchisor more than 12 months before the proposed use must be submitted for approval. In the event that Franchisor from time to time furnishes to Franchisee any advertising, promotional, or informational materials to be used, displayed, or distributed in or about Franchisee's Closet & Storage Concepts business premises, Franchisee agrees to follow the instructions of Franchisor in connection therewith. Furthermore, Franchisee agrees at all times to cooperate and follow all instructions, recommendations and programs instituted on behalf of Franchisor with regard to advertising programs, media selection, cooperative advertising programs and local and national advertising programs. Franchisee will participate, cooperate and pay its fair share of all advertising designed for and benefitting Franchisee and the System plus a mark-up of twenty-percent (20%) to cover any shipping and handling costs.

3.5 **Local Advertising Fee**. Franchisee must spend the greater of: (i) 7% of Franchisee's monthly Gross Revenues or (ii) $2,500.00 (Two Thousand Five Hundred Dollars), per month, on Local Advertising. Gross Revenues of all of Franchisee's locations within a single Territory are aggregated for the purpose of determining the correct fee. Franchisee shall comply with each of its advertising obligations provided in this Agreement notwithstanding the payment by other Closet & Storage Concepts System franchisees of greater or lesser advertising obligations or default of these obligations by any other franchisees.

3.6 **Advertising Materials**. Franchisee must either use materials furnished by Franchisor or develop its own materials to advertise for potential clients and customers. If Franchisee elects to develop its own advertising materials, Franchisee must do the following:

3.6.1 Provide Franchisor with a copy of all layouts (not prepared by Franchisor) that will run, at least 30 days prior to their anticipated publication dates;

3.6.2 Obtain Franchisor's written consent for advertising layouts provided in 3.6.1 above;

3.6.3 Provide Franchisor, when requested to do so, with actual tearsheets and copies of invoices of advertising expenses actually incurred and paid.

3.6.4 Franchisor does not require Franchisee to join any advertising cooperative it may organize or develop, provided that it reserves the right to institute such requirement in the future. If a cooperative is formed, Franchisor will have the right to draft Franchisee's bank account for the advertising cooperative contribution and to pass those funds on to the respective cooperative. The cooperative members will be responsible for the administration of their respective advertising cooperative, as stated in the by-laws Franchisor approves. The by-laws and governing agreements will be made available for review by the cooperative's franchisee members. Franchisor may require a cooperative to prepare annual or periodic financial statements for review. Each cooperative will maintain its own funds; however, Franchisor has the right to review the cooperative's finances. Individual franchised businesses may not benefit directly or proportionately to their contribution to the Cooperative.

Franchisor reserves the right to approve all of a cooperative's marketing programs and advertising materials. On 30 days written notice to affected franchisees, Franchisor may terminate or suspend a cooperative's program or operations. Franchisor may form, change, dissolve or merge any advertising cooperative. Affiliate owned locations will have no obligation to participate in any such advertising cooperatives.

3.6.5 Franchisee's failure to cooperate, participate or pay its applicable advertising obligations as set forth in this Section 3.6 shall be a material breach of this Agreement.

3.7 **Special Promotional Programs.** From time to time, Franchisor may, in its sole discretion, establish special promotional campaigns applicable to the Closet & Storage Concepts System as a whole or to specific advertising market areas. If Franchisee participates in any special promotional programs, Franchisee shall be required to pay for the development, purchase, lease, installation and/or erection of all materials necessary to such promotional campaigns, including but not limited to counter cards, posters, banners, signs, photography or give-away items. Franchisee cannot create unapproved loyalty or rewards programs.

3.8 **Pre Launch Advertising.** During the period beginning 30 days before through 30 days after the opening of the Franchised Business, Franchisee shall expend between $5,000-$20,000 on grand opening advertising and promotion in and/or for Franchisee's market area. Franchisor shall make such expenditure in accordance with Franchisor's written requirements and specifications. Franchisee has the right, but is not required, to spend additional sums with respect to grand opening advertising. Franchisee shall keep detailed records of all expenditures and provide these records to Franchisor within 15 days if Franchisor requests them.

3.9 **Website Requirements.** Franchisee acknowledges and agrees that any Website (including, but not limited to the Closet & Storage Concepts Website) constitutes "advertising" under this Agreement. Any Website Franchisee develops or utilizes must meet all other terms and conditions for advertising described in this Agreement. For this purpose, a "Website" means interactive electronic documents, contained in a network of computers linked by communications software that Franchisee operates or authorizes others to operate that refers to Franchisee's store, the CSC Proprietary Marks, Franchisor, and the Closet & Storage Concepts System. The term Website also includes Internet, Intranet and World Wide Web home pages, Social Networking or e-mail address sites. Franchisee must not establish any Website without Franchisor's prior written approval of its form, content and information due to Franchisor's substantial interest in protecting the CSC Proprietary Marks, the System and the Confidential Information. Franchisor may require Franchisee to participate in a centralized Website operated by Franchisor, without any compensation to Franchisee. Franchisor may refuse to permit Franchisee to operate or establish any Website. Franchisor reserves the right to establish one or more Internet, Intranet or other forms of e-commerce Websites, networks or communities for the purposes of promoting the development, growth, sales and solicitation of franchises; establishing or participating in, and requiring or authorizing Franchisee's participation in, or in connection with e-commerce; establishing purchasing, supply or referral programs, networks or communications in which Franchisee must participate; or monitoring Franchisee's performance under this Agreement and other purposes Franchisor designates from time to time which Franchisor deems to promote the development and operation of the System. Franchisor will establish and notify Franchisee of the establishment of Website policies and other forms of e-commerce policies, which will become part of the System Standards and be provided in the Manual or other written communication to Franchisee. Franchisor owns all right, title and interest in and

to information compiled from, derived from or obtained by Franchisor via Franchisee's or Franchisor's use of Websites or Franchisor's establishment of the Intranet, Internet or other forms of e-commerce networks or communities. Any Websites and/or email addresses created by Franchisor in conjunction with the CSC trademark, advertising, promotion of CSC product and/or store locations belong to Franchisor. All domain names registered by Franchisor or by Franchisee in conjunction with the CSC trademarks belong to Franchisor.

3.10 **Software Fee.** In the event Franchisor develops proprietary software for the System, Franchisee may be required to enter into Franchisor's form of software license agreement. Franchisor reserves the right to charge Franchisee license support fees in connection with any proprietary software developed for the System.

3.11 **Collection Costs, Attorneys' Fees, Interest.** Any late payment or underpayment of the royalty fee and any other charges or fees due Franchisor or its affiliates from Franchisee, shall bear interest from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate which may be charged for commercial transactions in the state in which the Franchised Business is located. If Franchisor engages an attorney to collect any unpaid amounts under this Agreement or any related agreement (whether or not formal judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, court costs and collection expenses incurred by Franchisor. If Franchisee is in breach or default of any non-monetary material obligation under this Agreement or any related agreement, and Franchisor engages an attorney to enforce its rights (whether or not formal judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, court costs and litigation expenses incurred by Franchisor. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and the claim of Franchisee in such action resolved in favor of Franchisor or the action is dismissed, Franchisor shall be entitled to recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending the action, and may have the amount awarded as part of the judgment in the proceeding.

3.12 **Audit.** Franchisee shall maintain accurate business records, reports, correspondence, accounts, books and data relating to Franchisee's operation of the Franchised Business. At any time during normal business hours, Franchisor or its designee may enter the premises where these materials are maintained and inspect and/or audit Franchisee's business records and make copies to determine if Franchisee is accurately maintaining same. Alternatively, Franchisee shall deliver these materials to Franchisor or its designee if Franchisor requests. If any audit reveals that Franchisee has understated its Gross Revenue by 2% or more during any applicable reporting period, or if Franchisee has failed to submit complete reports and/or remittances to Franchisor for any 2 reporting periods, or Franchisee does not make these materials available, Franchisee shall pay the reasonable cost of the audit and/or inspection, including the cost of auditors and attorneys, incurred by Franchisor, together with amounts due for royalty and other fees as a result of such understated revenues, including interest from the date when the revenues should have been reported.

3.13 **Financial Records and Reports.** Franchisee shall maintain for at least 5 fiscal years from their production, or any longer period required by law, complete financial and accounting records for the operation of the Franchised Business in accordance with generally accepted accounting principles and shall provide Franchisor with: (i) sales information in the form specified by Franchisor for sales and services rendered during the preceding month, indicating all monies received or accrued, sales or other services performed during the relevant period, and such other additional information as may be required by any such report forms furnished by Franchisor which Franchisor deems necessary to properly evaluate

the progress of Franchisee, which Franchisor may access on a regular basis; (ii) unaudited annual financial reports and operating statements in the form specified by Franchisor, prepared by a certified public accountant or state licensed public accountant, within 60 days after the close of each fiscal year of Franchisee; (iii) state and local sales tax returns or reports within 15 days after their timely completion; (iv) federal, state and local income tax returns for each year in which the Franchised Business is operated within 60 days after their timely completion; and (v) such other reports as Franchisor may from time to time require, in the form and at the time prescribed by Franchisor. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor, at its discretion, may specify the form in which the business records are to be maintained, provide a uniform set of business records to be used by Franchisee, and specify the type of equipment and software to be used in connection with the recording of revenues. Franchisor may obtain revenues and other information from Franchisee by modem or other similar means, from a remote location, without the need for consent, at the times and in the manner as Franchisor specifies, in Franchisor's sole discretion.

3.14 **Taxes on Payments to Franchisor.** If Franchisor is required to collect Sales Taxes from Franchisee, Franchisee must pay Franchisor an amount equal to any sales, use, Gross Revenue, or similar tax payable by Franchisor and calculated on any payments Franchisee must make under this Agreement, unless the tax is an income tax or an optional alternative to an income tax otherwise payable by Franchisor.

3.15 **Management Fee.** In the event Franchisor must operate the Franchised Business due to Franchisee's or its Principal's death or disability, or if Franchisor determines that Franchisee is otherwise unable to adequately operate the Franchised Business, Franchisee must pay Franchisor's then-current management fee during the period of operation, which will last as long as Franchisor deems necessary. In addition, Franchisee will also be required to pay Franchisor's expenses and other fees in managing the Franchised Business, plus regular fees owed under this Agreement such as royalties. Franchisee must hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary operation. Franchisee must pay all of Franchisor's reasonable attorneys' fees and costs incurred.

4. FRANCHISOR SERVICES

4.1 **Approved Location Improvements.** Franchisor, upon approval of the Approved Location, shall provide Franchisee with its advice regarding Approved Location improvements according to the terms of the Business Location Agreement attached hereto as Exhibit 4. Franchisor shall provide Franchisee with general layout, but not construction, plans for the Approved Location. Franchisee is solely responsible for the cost of all Approved Location improvements, which must conform to the specifications set forth by Franchisor in the Operations Manual or otherwise in writing.

4.2 **Site Selection Assistance.** If so requested by Franchisee, Franchisor shall provide such site selection guidance and assistance to Franchisee as Franchisor shall deem necessary and appropriate, in its sole discretion. Franchisor may assist Franchisee in identifying and evaluating a site and negotiating a lease for the premises at such site in accordance with Section 2.1 of this Agreement, subject to the availability of Franchisor's personnel and Franchisor's familiarity with the real estate market in the Territory. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Business unless the site is approved by Franchisor. Site selection assistance of Franchisor shall not relieve Franchisee of primary responsibility to locate an acceptable site in the required time period.

4.3 **Training.**

4.3.1 **Initial Training.** Franchisor shall provide, either itself or through its designee, an initial training program to be held at Franchisor's corporate training facility in New Jersey or another place, at the times and places Franchisor shall designate. Franchisor shall schedule an initial training program, at Franchisor's convenience, between the time Franchisee signs this Agreement and the time Franchisee is scheduled to open the Franchised Business. Franchisee, or if Franchisee is a business entity, designated equity owners of Franchisee owning a minimum of the equity interests in Franchisee specified by Franchisor, and Franchisee's designated manager under Section 5.4 of this Agreement, shall attend and complete the initial training program to Franchisor's satisfaction prior to the opening of the Franchised Business. Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending training. Franchisor shall provide tuition-free training initially for 3 persons including Franchisee (or its equity owners) and its designated manager before the Franchised Business opens for business. If initial training is otherwise required for Franchisee or any equity owner, manager or other employee, Franchisee shall pay Franchisor's then-current tuition for each person to attend the additional initial training program. Each of Franchisee's additional and/or replacement managers shall attend and complete to Franchisor's satisfaction Franchisor's initial training program prior to assuming management responsibility.

4.3.2 **Refresher Courses; Supplemental Training.** Franchisor reserves the right to offer refresher courses and supplemental training programs, which may be optional or mandatory, from time to time, to Franchisee, its equity owners if Franchisee is a business entity, its manager and/or its employees. Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending any refresher or supplemental training. Franchisee shall pay Franchisor's then-current tuition for any individual attending refresher courses or supplemental training.

4.3.3 **Conferences.** Franchisor may, but is not obligated to, hold annual conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. Franchisor reserves the right to charge a fee for such conference. Franchisee must pay all its travel and living expenses related to Franchisee's attendance at the conference. These conferences are held at a location chosen by Franchisor. Attendance is mandatory for at least one of Franchisee's previous trainees.

4.4 **Continuing Consultation and Advice.** In addition to the assistance rendered to Franchisee prior to opening, Franchisor shall provide Franchisee continuing consultation and advice as Franchisor deems advisable during the term of this Agreement regarding the provision of services, marketing, sales techniques, personnel development and other business, operational and advertising

matters that directly relate to the franchise operation. Such assistance may be provided by telephone, facsimile, email, postings to Franchisor's intranet, periodically through on-site assistance by appropriate personnel of Franchisor, and/or other methods.

4.5 **Operations Manual; Proprietary Software**. Franchisor shall loan or otherwise provide Franchisee access to one copy of a specifications, operations and procedures manual, and one copy of other books, binders, videos or other electronic media, intranet postings and other materials, and appropriate revisions as may be made from time to time, referred to collectively as the "Operations Manual". Franchisee shall operate the Franchised Business in strict compliance with the Operations Manual. From time to time Franchisor may, through changes in the Operations Manual or by other notice to Franchisee, change any standard or specification or any of the Proprietary Marks applicable to the operation of the Franchised Business or change all or any part of the System, and Franchisee shall take all actions, at Franchisee's expense, to implement these changes. Franchisor may vary the standards and specifications to take into account unique features of specific locations or types of locations, special requirements and other factors Franchisor considers relevant in its sole discretion. The Operations Manual shall be confidential and at all times remain the property of Franchisor. Franchisee shall not make any disclosure, duplication or other unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth in this Agreement. Franchisee shall ensure that its copy of the Operations Manual is current and up-to-date. If there is a dispute relating to the contents of the Operations Manual, the master copy maintained by Franchisor at its principal office shall be controlling. Franchisor may elect to provide the Operations Manual solely through Franchisor's website(s) and/or intranets or other electronic means without any need to provide Franchisee with a paper copy or other physical format. If Franchisee requires a replacement copy of the Operations Manual, Franchisor will provide the first copy at no cost. Franchisee will be charged Franchisor's then-current fee for any additional replacements.

5. FRANCHISE SYSTEM STANDARDS

5.1 **Opening for Business**. Franchisee shall not open the Franchised Business for business until Franchisee has complied with Franchisor's requirements for opening and has granted permission to open, unless Franchisor otherwise provides in writing.

5.2 **Compliance with Standards**. Franchisee acknowledges that its obligations under this Agreement and the requirements of Franchisor's Operations Manual are reasonable, necessary and desirable for the operation of the Franchised Business and the Closet & Storage Concepts System. Franchisee shall adhere to Franchisor's standards and specifications as set forth in this Agreement and the Operations Manual, including, but not limited to, standards, specifications of product and service quality and uniformity, and equipment and software compatibility among individual Closet & Storage Concepts System franchises, and any revisions or amendments. Franchisee shall purchase and use only products and services, including equipment, fixtures, software, signs, branded products or services, inventory, supplies, and logo-imprinted products, which Franchisor approves, including purchasing from approved suppliers or a designated sole supplier for any items. Franchisor and its affiliates may be an approved supplier or designated sole supplier for any purchases of products or services. Franchisee may purchase or obtain these products and services through Franchisor or a supplier approved by Franchisor. Franchisee cannot be a supplier to other franchisees and cannot purchase items from another franchisee without Franchisor's express written approval. If Franchisor has not designated an approved supplier for a particular product or service, Franchisee shall purchase these products or services only from suppliers that meet Franchisor's standards and specifications. Franchisee may request approval of a supplier, which

may, at Franchisor's option, include inspection of the proposed supplier's facilities and testing of product samples. The independent testing facility Franchisor designates may charge a fee for the testing. Franchisee or the proposed supplier shall pay the test fees. Franchisee must also pay for Franchisor's costs in making a determination on the proposed supplier, including the costs of inspection of the supplier's facilities, evaluation of the test results, and a background check of the supplier. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any approved supplier, and to revoke approval if the supplier fails to continue to meet any of Franchisor's criteria. Franchisor may receive fees and other payments from suppliers and others in connection with Franchisee's purchases and may use the fees for Franchisor's own purposes. Franchisor shall provide Franchisee a standard price list for items which it sells to franchisees, including a description of each item and applicable price or lease terms, prepayment discounts (if any) and shipping charges. Franchisor reserves the right to withhold approval of any supplier for any reason.

5.3 **Operations.**

5.3.1 Franchisee shall operate the Franchised Business for at least those hours and days specified by Franchisor in the Operations Manual and will at all times operate the Franchised Business diligently so as to maximize the revenues and profits therefrom.

5.3.2 Franchisee is not limited to providing services and products to only customers inside of the Territory. However, Franchisee may not market, advertise for and/or solicit for orders outside of the Territory, except as provided under this Agreement. If an installation is to take place within another franchisee's Territory, it is a violation of this Agreement if Franchisee does not notify Franchisor and the affected franchisee before the installation occurs. In the Franchisor's sole discretion, Franchisee may be required to cooperate with that franchisee, share in the installation, share any financial compensation, or give the job to the other franchisee.

5.3.3 Franchisee shall at all times maintain and employ working capital as Franchisor may reasonably deem necessary to enable Franchisee to properly and fully carry out and perform all of its duties, obligations and responsibilities under this Agreement and to operate the business in a businesslike, proper and efficient manner.

5.3.4 Franchisee shall operate the Franchised Business in conformity with the highest ethical standards and sound business practices and in a manner which shall enhance the Closet & Storage Concepts Proprietary Marks and the Closet & Storage Concepts System. Franchisee shall be solely responsible for all employment decisions and functions, including hiring, firing, discipline, supervision, setting terms of employment and compensation and implementing a training program for employees of the Franchised Business in accordance with training standards and procedures Franchisor specifies in order for Franchisee to conduct the business of the Franchised Business at all times in compliance with Franchisor's requirements. Franchisee shall never represent or imply to prospective employees and employees that they shall be or are employed by Franchisor.

5.3.5 The Franchised Business must be properly maintained at all times, including periodic repainting of the exterior and interior and all maintenance and repairs to all fixtures, furnishings, uniforms, signs and equipment to keep and run the Franchised Business as directed by the Operations Manual and otherwise as Franchisor reasonably directs.

5.3.6 Franchisee will at all times give prompt, courteous, and efficient service to the

public; will perform work competently and in a workmanlike manner; and in all business dealings with members of the public, will be governed by the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee will do nothing that would tend to discredit, dishonor, reflect adversely upon, or in any manner injure the reputation of Franchisor or any franchisee of the System.

5.3.7 Franchisee acknowledges that a public demand has been created and exists for genuine products carrying certain of the Proprietary Marks and that the public have come and will come to expect that they will be able to obtain the products at an authorized Closet & Storage Concepts Business. Accordingly, Franchisee agrees that Franchisee will at all times during the term of this Agreement maintain an inventory of the products and of such other items which Franchisor may from time to time designate, which is adequate, both in terms of range of the products and other items covered and in terms of the quantities of the products and other items, to fulfill the public demand in Franchisee's market for the products and other items and to promptly satisfy customers seeking the products and other items at the Franchised Business.

5.4 **Managerial Responsibility**. Subject to the provisions of Sections 5.4.1 and 5.4.2 of this Section 5.4, it is agreed that at all times during the term of this Agreement, Franchisee (if Franchisee is an individual, or if Franchisee is an entity, its shareholders, partners, members or principals, as the case may be) or Franchisee's duly authorized designated manager (who may or may not be a partner or principal of Franchisee) designated in writing to Franchisor shall: (i) devote his or their full time and effort to the active management and operation of the Franchised Business; (ii) irrespective of any delegation of authority not inconsistent with clause (i), reserve and exercise ultimate authority and responsibility with respect to the management and operation of the Franchised Business; (iii) not engage in or be connected with any other business or activity that interferes with the business under this Agreement; and (iv) represent and act on behalf of Franchisee in all dealings with Franchisor. If two or more individuals are named herein, each of them shall fulfill the requirements of clause (i), and both or all of them shall jointly fulfill the requirements of clauses (ii), (iii) and (iv).

5.4.1 If Franchisee operates or hereafter commences to operate, under a franchise granted by Franchisor, one or more additional Closet & Storage Concepts businesses, and if the individual or individuals referenced under this Section 5.4 is/are also named in the corresponding provision of such other agreement or agreements, then such provisions shall be deemed to apply to all such Closet & Storage Concepts businesses in the aggregate.

5.4.2 In the event of the resignation, disability, or death of the individual or individuals referenced under this Section 5.4, the provisions of Article 7 hereof shall govern; provided however, that if two or more individuals are named herein then upon the resignation, disability, or death of one or more but less than all of such individuals, the provisions of Article 7 shall not govern and the provisions of this Section shall apply to the remaining or surviving individual or individuals.

5.4.3 If required by Franchisor, Franchisee shall cause a designated manager to execute an agreement to be bound by the restrictions set forth in Section 5.7 of this Agreement.

5.5 **Updating Premises.** Franchisee agrees that, in order to maintain a modern, progressive, sanitary and uniform image, Franchisor has the right to require Franchisee to perform remodeling, repairs, replacements and redecoration in and upon the premises of the Approved Location, fixtures, equipment and furnishings Franchisee uses as Franchisor reasonably deems necessary and practical to bring the premises, fixtures, equipment and furnishings up to the then current standards of newly developed System

locations (Remodeling Requirements); provided, however, Franchisee shall not be required to make such modifications or improvements more than once every five (5) years or during the initial five (5) years of the term of this Agreement. In addition, in order to introduce new products or services, Franchisee may be required to expend additional amounts on new, different or modified equipment or fixtures necessary to offer such new services or products ("Replacement Requirements") (collectively, the Remodeling Requirements and Replacement Requirements are referred to as the "Capital Modifications").

5.6 **Applicable Laws.** Franchisee shall investigate, keep informed of and comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Franchised Business, including employment, licensing, zoning, and bond requirements. If these legal requirements impose a greater standard or duty than Franchisor requires in the Operations Manual or elsewhere, Franchisee must comply with the greater standard or duty and notify Franchisor in writing promptly after Franchisee becomes aware of the discrepancy.

Franchisee has been advised and is aware that certain state and local laws, rules and ordinances require or may require the registration of "Home Improvement Salespersons." If required by state or local law, Franchisee agrees to register such salespersons, pay any and all required fees, submit all necessary documentation and otherwise comply with such state or local requirements and hold Franchisor harmless therefrom.

If applicable, Franchisee further agrees to register as a "Home Solicitation Salesperson" with the Registrar of the local State Contractors License Board, or other regulating authority and to register any salesperson Franchisee employs, if necessary. Franchisee further agrees that Franchisee shall require all salespersons and other agents and employees to agree to comply with all applicable laws, rules, ordinances and statutes applicable to "Home Solicitation Salespersons," Contractors, etc.

5.7 **Trade Secrets and Confidential Information.** The System is unique and the Operations Manual, Franchisor's trade secrets, proprietary computer software or applications, designs and specifications for products, architectural specifications for Franchised Businesses, training materials, other written material Franchisor develops to assist in development or operations and know-how are the sole, exclusive and confidential property of Franchisor, and are provided or revealed to Franchisee in confidence ("Confidential Information"). Franchisee shall use the Confidential Information only for the purposes and in the manner authorized in writing by Franchisor, and its use shall inure to the benefit of Franchisor. Franchisee shall inform all employees before communicating or divulging any Confidential Information to them of their obligation of confidence. In addition, subject to applicable law, Franchisee shall obtain a written agreement in the form attached as Exhibit "3(a)", from Franchisee's employees and any other person having access to the Operations Manual or to whom Franchisee wishes to disclose any Confidential Information that they shall maintain the confidentiality of the Confidential Information and they shall recognize Franchisor as a third-party beneficiary with the independent right to enforce the covenants either directly in Franchisor's own name as beneficiary or acting as agent. Spouses of Franchisees must sign the Confidentiality, Non-Disclosure and Non-Competition Agreement in the form attached as Exhibit "3(b)". All executed agreements must be forwarded to Franchisor. Franchisee hereby appoints Franchisor as its agent with respect to the enforcement of these covenants. Franchisee shall retain all written Confidentiality Agreements with Franchisee's business records for the time period specified in the Operations Manual. Franchisee shall enforce all covenants and shall give Franchisor notice of any breach or suspected breach of which Franchisee has knowledge.

Franchisee shall not contest, directly or indirectly, Franchisor's ownership of or right, title or interest in

Franchisor's trade secrets, proprietary computer software, copyrighted materials, methods or procedures or contest Franchisor's right to register, use or license others to use any of such trade secrets, proprietary computer software, copyrighted materials, methods and procedures. Franchisee, including its officers, directors, equity owners, and employees, and any of their immediate family, heirs, successors and assigns, is prohibited from using and/or disclosing any Confidential Information in any manner other than as permitted by Franchisor in writing. Any development used by or in connection with the Closet & Storage Concepts System is part of the System and Franchisor's Confidential Information, whether the development is developed by Franchisor, its affiliates, Franchisee, or any other present, former or future Closet & Storage Concepts System franchisee or their employees.

5.8 **Proprietary Marks.**

5.8.1 **Ownership.** Nothing in this Agreement assigns or grants to Franchisee any right, title or interest in or to the Proprietary Marks, it being understood that all rights relating to the Proprietary Marks are reserved by Franchisor and the owner of the Proprietary Marks who has licensed the Proprietary Marks to Franchisor ("Licensor"), except for Franchisee's license to use the Proprietary Marks only as specifically and expressly provided in this Agreement. Franchisee's use of the Proprietary Marks shall inure to the benefit of Franchisor and its affiliates and Licensor, and Franchisee shall not at any time acquire any rights in the Proprietary Marks. Franchisee shall not challenge the title or rights of Franchisor or its affiliates or Licensor in and to the Proprietary Marks, or do any act to jeopardize or diminish the value of the Proprietary Marks. All goodwill associated with the Proprietary Marks and Franchisor's, its affiliates' and Licensor's copyrighted material, including any goodwill that might be deemed to have arisen through Franchisee's activities, inures directly and exclusively to the benefit of Franchisor, its affiliates and Licensor. Franchisee shall execute from time to time any and all other or further necessary papers, documents, and assurances to effectuate the intent of this Section and shall fully cooperate with Franchisor, its affiliates and Licensor or any other franchisee of Franchisor in securing all necessary and required consents of any state agency or legal authority to the use of any of the Proprietary Marks. Franchisor reserves the right to substitute, add or change the Proprietary Marks for use in identifying the System and the businesses operating under its System if the current Proprietary Marks no longer can be used, or if Franchisor, in its sole discretion, determines that a change of the Proprietary Marks shall be beneficial to the System. Franchisee shall bear the cost and expense of all changes.

5.8.2 **Protection.** Franchisee shall promptly notify Franchisor of any infringement of, or challenge to, the Proprietary Marks, and Franchisor or Licensor, shall in its discretion take the action it deems appropriate. Franchisee must not communicate with any person other than legal counsel, Franchisor and Franchisor's legal representative in connection with any infringement challenge or claim. Franchisor shall indemnify and hold Franchisee harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from Franchisee's use of the Proprietary Marks in accordance with this Agreement or as otherwise set forth by Franchisor in writing if Franchisee has promptly notified Franchisor of such claim and cooperated in the defense of any claim. If Franchisor or Licensor undertakes the defense or prosecution of any litigation pertaining to any of the Proprietary Marks, Franchisee agrees to execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor or Licensor, be necessary to carry out such defense or prosecution.

5.8.3 **Franchisee's Name.** Franchisee agrees not to use the Proprietary Marks or any part of a Proprietary Mark in its corporate name. The corporate and all fictitious names under which Franchisee proposes to do business must be approved in writing by Franchisor before use. Franchisee shall use its corporate name either alone or followed by the initials "D/B/A" and the business name of Closet & Storage Concepts. Franchisee shall register at the office of the county in which the Franchised Business is located or such other public office as provided for by the laws of the state in which the Franchised Business is located as doing business under such assumed business name.

5.8.4 **Independent Status.** All stationery, business cards and contractual agreements into which Franchisee enters shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice that Franchisee operates the Franchised Business as an independently owned and operated franchise of Franchisor.

5.8.5 **Authorized and Unauthorized Use.** At Franchisor's direction, Franchisee shall use the Proprietary Marks in conjunction with the symbol "SM," "TM" or "®", as applicable, in order to indicate the registered or unregistered status of the Proprietary Marks. Franchisee shall not use any of the Proprietary Marks in connection with the offer or sale of any unauthorized products or services or in any other manner not explicitly authorized in writing by Franchisor. Franchisee may not use any other marks, names, commercial symbols or logo type in connection with the operation of the Franchised Business.

5.8.6 **Franchisor's Use of Marks.** Franchisor, its affiliates and Licensor may use and register the Proprietary Marks as they deem advisable in their discretion including without limitation, developing and establishing other systems using the same or similar Proprietary Marks alone or in conjunction with other marks and granting licenses and/or franchises in connection with the same or similar Proprietary Marks without providing any rights to Franchisee.

5.8.7 **Electronic Mail and Domain Names.** Except as authorized by Franchisor in writing, Franchise shall not use the Proprietary Marks, or any abbreviation, variation or other name associated with the Closet & Storage Concepts System or CLOSET & STORAGE CONCEPTS as part of any e-mail address, domain name, and/or other identification in any electronic medium.

5.9 **Inspection.** During normal business hours and without prior notice, Franchisor or its representatives or agents shall have the right to inspect Franchisee's records, interview Franchisee's customers and observe the manner in which Franchisee operates the Franchised Business.

5.10 **Changes to the System.** Franchisor may, from time to time, change the standards and specifications applicable to operation of the Franchise, including standards and specifications for products, services, computer software, inventory, supplies, signs, fixtures, furnishings and equipment, by written notice to Franchisee or through changes in the Operations Manual. Franchisor also may from time to time eliminate and introduce products or services or change the products or services. Franchisee shall cease offering products and services discontinued by Franchisor immediately, and immediately revise any changed products or services. Franchisee shall commence offering and selling any new products and services within 15 days of notification from Franchisor. Franchisee may incur an increased cost to comply with such changes, and Franchisee shall accept and implement such changes at its own expense as if they were part of the Closet & Storage Concepts System when this Agreement was executed, including discontinuing or modifying the use of or substituting any of the Proprietary Marks or computer software; provided, however, that any such change shall not materially alter Franchisee's fundamental rights under this Agreement.

5.11 **Authorized Services, Products, Supplies and Equipment.**

5.11.1 Franchisee shall offer and sell all services, merchandise and products that Franchisor prescribes and only those services, merchandise and products that Franchisor prescribes. Franchisee shall order the products from any manufacturer, supplier or other Closet and Storage Concepts franchisee recommended by or approved by Franchisor in writing. Franchisee shall comply with all rules and regulations prescribed by federal, state and local agencies. Subject to the requirements of Section 5.2, Franchisee shall have the right to suggest new products, services or other developments to Franchisor for use in Franchisee's and other Closet & Storage Concepts System businesses. Franchisee shall have no right to offer new products or services to the Franchised Business customers or use any new developments until Franchisor has had the opportunity to test the new services or developments and provide Franchisee written approval for their use and standards and specifications with respect to their use. All new services and developments, whether they be of Franchisee's original design or variations of existing services or techniques, shall be deemed works made for hire and Franchisor shall own all rights in them. If these products, services and developments do not qualify as works made for hire, by signing this Agreement Franchisee assigns to Franchisor ownership of any and all rights in these services and developments and the goodwill associated with them. Franchisee shall receive no payment or adjustment from Franchisor in connection with any new products, services or developments.

5.11.2 Franchisor may at any time and from time to time, in its sole discretion, require all of the franchisees in the System, including Franchisee, to discontinue the use of any products, if, in the opinion of Franchisor, the continued use of such product or products becomes unfeasible, unprofitable or otherwise undesirable; upon such discontinuance, the license herein granted with respect to such product or products shall terminate. Such discontinuance or termination of a product or product line by Franchisor is not "cause" for the termination of this Agreement by Franchisor or Franchisee.

5.11.3 Franchisee shall use in the operation of the Franchised Business and in the performance of services only the methods, procedures, services, supplies, equipment and computer software as are specified by Franchisor in the Operations Manual or otherwise in writing. Franchisee acknowledges and agrees that these may be changed periodically by Franchisor and that Franchisee is obligated to conform to the requirements as so changed.

5.11.4 Franchisor shall have the exclusive right in its sole discretion to vary from the products, services or merchandise in establishing the products, services and merchandise to be offered by the Franchised Business. Complete and detailed uniformity under many varying conditions may not always be possible or practical and Franchisor reserves the right and privilege, at its sole discretion, to vary not only the products, services and merchandise but other standards for any System franchisee based upon the customs or circumstances of a particular site or location, density of population, business potential, population of trade area, existing business practices, or any condition which Franchisor deems to be of importance to the operation of that franchisee's business.

5.11.5 Franchisee shall obtain and at all times use the items of equipment, software, fixtures and supplies as Franchisor specifies, and only these items of equipment, software, décor, fixtures and supplies. Prior to opening the Franchised Business, Franchisee shall obtain the equipment, software, décor, fixtures and supplies as Franchisor specifies. As an item of equipment, software, fixtures and supplies may become obsolete or inoperable, Franchisee shall replace the item with the types and kinds of equipment, software, décor, fixtures and supplies then being used by new Closet & Storage Concepts System franchises at the time of replacement. If Franchisor determines that additional or substitute equipment, software, décor, fixtures and supplies are needed because of a change in services or merchandise offered or method of providing products or services, Franchisee shall install the new equipment, software, décor, fixtures and supplies within a reasonable time.

5.11.6 Franchisee acknowledges that Franchisor reserves the right to develop proprietary software and/or a backroom computer system for use in connection with the Closet & Storage Concepts System. Franchisee shall acquire computer hardware equipment, computer software, telecommunications infrastructure products and credit card processing equipment and support services as Franchisor reasonably requires in connection with the operation of the Franchised Business and all additions, substitutions and upgrades Franchisor shall specify. Franchisee's computer system must be able to send and receive email and attachments on the Internet and provide access to the World Wide Web and otherwise support Franchisor's then-current information technology system. To the extent that a specific credit card processing services vendor is not designated for use, Franchisee must use a vendor that is compliant with the Payment Card Industry Data Security Standard (PCI DSS).

5.11.7 All services must be provided and all products and merchandise offered in accordance with the standards and specifications contained in the Operations Manual or otherwise.

5.11.8 Franchisor shall in no event be liable to Franchisee for unavailability of or delay in shipment or receipt of any products due to temporary product shortages or unavailabilities, order backlogs, production difficulties, delays in or unavailability of transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of Franchisor.

5.12 **Pricing.** Franchisor may exercise rights with respect to the pricing of products and services to the fullest extent permitted by then-applicable law. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which Franchisee may charge customers for products and/or services offered and sold at the Franchised Business; recommending retail prices; advertising specific retail prices for some or all products or services sold by the Franchised Business, which prices Franchisee will be compelled to observe; engaging in marketing, promotional and related campaigns which Franchisee must participate in and which may directly or indirectly impact Franchisee's retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which the Franchised Business may charge the public for products and services it offers.

Franchisor may engage in any such activity either periodically or throughout the term of this Agreement. Further, Franchisor may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. Franchisor acknowledges and agrees that any maximum, minimum or other prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of the Franchised Business and Franchisee irrevocably waives any and all claims arising from or related to our prescription or suggestion of the Franchised Business's retail prices.

Upon the giving by Franchisor of notice of termination of this Agreement under Article 8 of this Agreement, Franchisor shall not be obligated to fill or ship any orders for products theretofore or at any time thereafter received from Franchisee, unless otherwise required by law.

5.13 **Pending Actions.** Franchisee shall notify Franchisor, in writing, within 5 days of the commencement of any action, suit or proceeding and of the issuance of any order, suit or proceeding of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

5.14 **Computer Program.**

5.14.1 Franchisor currently maintains a website www.closetandstorageconcepts.com for use in connection with the System and for the benefit of its franchisees. Franchisor has developed a web-based software program for management of customer relations and/or related activities (hereinafter the "Computer Program") and has implemented the Computer Program into the System. The Computer Program will process and display data related to tracking customer leads, average sales, closing percentages and related customer management information. Franchisee agrees to (a) implement the Computer Program into the Franchised Business and comply with all specifications and standards prescribed by Franchisor regarding the Computer Program as provided from time to time in the Operations Manual; (b) utilize the Computer Program; and (c) input the required data. Prior to the commencement of the Franchised Business, Franchisee shall be required to purchase or lease acceptable computer hardware and software with Internet access and e-mail capability to access Franchisor's website and utilize the Computer Program. Franchisor shall have full access to the data supplied by Franchisee to the Computer Program and it may be shared with the System.

5.14.2 During the Term of this Agreement, Franchisee is authorized to access and use the Computer Program and any other proprietary computer software Franchisor designates for Franchisee's use in the Operations Manual or otherwise (the "Proprietary Computer Software"), solely at the Franchised Business, and in accordance with the Operations Manual. Franchisee shall not sublicense or distribute the Proprietary Computer Software, whether for profit or otherwise, or authorize any other individual or entity to use the Proprietary Computer Software without Franchisor's express written consent. Franchisee shall not use the Proprietary Computer Software or allow it to be used, directly or indirectly, to: (a) engage in unlawful conduct, (b) infringe any proprietary rights, whether protected by copyright, trademark, trade secret, or otherwise, (c) defame, threaten, or otherwise violate the rights of others, (d) publish any inappropriate, profane, obscene, indecent, or unlawful material or information, (e) engage in commercial conduct other than with regard to the Franchised Business, (f) attempt to decipher, decompile, disassemble or reverse engineer any of the proprietary computer software, or (g) violate any guidelines relating to the use of the Proprietary Computer Software. The preceding is a non-exhaustive listing of prohibited uses of the Proprietary Computer Software. Franchisee shall sign a license agreement for the Proprietary Computer Software if Franchisor requests. Franchisee must purchase CAD Design Software Keys from Franchisor prior to opening the Franchised Business and must pay annual service/updates.

5.14.3 **FRANCHISEE'S USE OF ANY PROPRIETARY COMPUTER SOFTWARE PROVIDED BY FRANCHISOR OR FRANCHISOR'S DESIGNATED SUPPLIERS, INCLUDING ANY INSTALLATION SERVICES, IS AT FRANCHISEE'S OWN RISK. FRANCHISOR MAKES NO REPRESENTATIONS ABOUT THE SUITABILITY, RELIABILITY, USABILITY, AVAILABILITY, TIMELINESS, AND ACCURACY OF THE**

PROPRIETARY COMPUTER SOFTWARE FOR ANY PURPOSE. FRANCHISOR DOES NOT WARRANT THAT ACCESS TO OR USE OF THE PROPRIETARY COMPUTER SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, THAT USERS WILL BE ABLE TO ACCESS THE PROPRIETARY COMPUTER SOFTWARE AT ANY TIME, OR THAT THE PROPRIETARY COMPUTER SOFTWARE OR RELATED EQUIPMENT WILL MEET ANY PARTICULAR CRITERIA OF PERFORMANCE OR QUALITY. FRANCHISOR DISCLAIMS ALL WARRANTIES AND CONDITIONS WITH REGARD TO THE PROPRIETARY COMPUTER SOFTWARE AND ALL RELATED EQUIPMENT, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OF ACCURACY OR COMPLETENESS OF RESPONSES, OF RESULTS, OF WORKMANLIKE EFFORT, OF LACK OF VIRUSES, AND OF NEGLIGENCE AND THE PROVISION OF OR FAILURE TO PROVIDE SUPPORT SERVICES, TITLE, AND NON-INFRINGEMENT.

5.15 **Reports**. Franchisee agrees to provide Franchisor with (a) weekly Gross Revenue reports (See Section 3.3.3), (b) monthly gross sales report (See Section 3.3.5), (c) annual revenue report and advertising reports on forms provided from time to time by Franchisor according to this Agreement, the Operations Manual and/or Franchisor's current policy and procedures. Such reports shall include all sales generated by Franchisee (including any sales from the Approved Location or otherwise) during the applicable period, shall be complete, shall be filed timely and shall be signed by Franchisee or its designated manager.

6. ACKNOWLEDGMENTS OF FRANCHISEE

6.1 **Independent Contractor Status.** Franchisee is an independent contractor, responsible for full control over the management and daily operation of the Franchised Business, and neither Franchisor nor Franchisee is the agent, principal, partner, employee, employer or joint venturer of the other. Franchisee shall not act or represent itself, directly or by implication, as an agent, partner, employee or joint venturer of Franchisor, nor shall Franchisee incur any obligation on behalf of or in the name of Franchisor.

6.2 **Indemnification**. Franchisee shall defend, indemnify and hold Franchisor and its affiliates, and their respective officers, directors, managers, equity owners, independent contractors and employees (the "Indemnified Parties") harmless from all fines, suits, proceedings, claims, demands, liabilities, injuries, damages, expenses, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising in whole or in part from Franchisee's ownership, operation or occupation of the Franchised Business, performance or breach of its obligations under this Agreement, breach of any warranty or representation in this Agreement or from the acts or omissions of Franchisee, its employees or agents, including its advertising, of the Franchised Business, except as otherwise provided in this Agreement. Franchisor and any Indemnified Party shall promptly give Franchisee written notice of any claim for indemnification under this Section 6.2. Any failure to give the notice shall not relieve Franchisee of any liability under this Agreement except to the extent the failure or delay causes actual material prejudice. Franchisor shall have the right to control all litigation, and defend and/or settle any claim against Franchisor or other Indemnified Parties affecting Franchisor's interests, in any manner Franchisor deems appropriate. Franchisor may also retain its own counsel to represent Franchisor or other Indemnified Parties and Franchisee shall advance or reimburse Franchisor's costs. Franchisor's exercise of this control over the litigation shall not affect its rights to indemnification under this Section 6.2. Franchisee may not consent to the entry of judgment with respect to, or otherwise settle, an

indemnified claim without the prior written consent of the applicable Indemnified Parties. Franchisor and the other Indemnified Parties do not have to seek recovery from third parties or otherwise attempt to mitigate losses to maintain a claim to indemnification under this Section 6.2. The provisions of this Section 6.2 shall survive the termination or expiration of this Agreement.

6.3 **Payment of Debts**. Franchisee understands and agrees that it alone, and not Franchisor, is responsible for selecting, retaining and paying its employees; the payment of all invoices for the purchase of inventory and goods and services for use in the franchise business; and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct of the franchise business.

6.4 **Noncompetition.**

6.4.1 **During the Term of This Agreement.** During the term of this Agreement, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or equity owner shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other business which offers or sells products or services competitive with those sold or offered under the Closet & Storage Concepts System or the More Space Place System (a "Competing Business").

During the term of this Agreement, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit any employee of Franchisor or any other Closet & Storage Concepts System or More Space Place franchisee to discontinue his or her employment.

During the term of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor.

6.4.2 **After the Term of This Agreement.** For a period of 2 years after the expiration, nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other Competing Business within the Territory or a radius of 20 miles from the Territory or any other Closet & Storage Concepts or More Space Place company owned or franchised business in operation or of any territory which is being considered or for which discussions are under way for a Closet & Storage Concepts or More Space Place franchise, as of the date of expiration and nonrenewal, transfer or termination of this Agreement; provided, however, Franchisee may continue to operate any other Closet & Storage Concepts or More Space Place franchises for which Franchisee and Franchisor have a current franchise agreement.

For a period of 2 years after the expiration, nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit business from

customers of Franchisee's former Franchised Business for any competitive business purpose nor solicit any employee of Franchisor or any other Closet & Storage Concepts or More Space Place System franchisee to discontinue his or her employment.

For a period of 2 years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any member of the immediate family of Franchisee or its equity owners shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor.

6.4.3 **Intent and Enforcement.** It is the intent of the parties that the provisions of this Section 6.4 shall, to the fullest extent permissible under applicable law, be judicially enforced; accordingly, any reduction in scope or modification of any part of the noncompetition provisions contained in this Agreement shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 6.4 by Franchisee, any of its equity owners or any member of the immediate family of Franchisee or any of its equity owners, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. In the event of the actual or threatened breach of this Section 6.4, Franchisor's harm shall be irreparable and Franchisor shall have no adequate remedy at law to prevent the harm. Franchisee acknowledges and agrees on its own behalf and on behalf of the persons who are liable under Section 6.4.2 that each has previously worked or been gainfully employed in other fields and that the provisions of Section 6.4.2 in no way prevent any of these persons from earning a living. Spouses of Franchisees must sign the Confidentiality, Non-Disclosure and Non-Competition Agreement in the form attached as Exhibit "3(b)".

6.4.4 **Employees.** Franchisee shall require its officers, directors, equity owners, employees (to the extent the employee has received Franchisor's initial training) and members of the immediate family of Franchisee, its officers, directors and equity owners to execute a confidentiality agreement containing provisions similar to those set forth in this Agreement. Our current form of confidentiality agreement is attached to this Agreement as Exhibit "3(a)".

6.4.5 **Publicly-Owned Entity.** This Section 6.4 shall not apply to any ownership by Franchisee or any other person subject to Section 6.4 of a beneficial interest of less than 5% in the outstanding securities or partnership interests in any publicly-held entity.

6.5 **Telephone.** Franchisee shall obtain at its own expense a new telephone number and listing, to be listed under the Closet & Storage Concepts name and not under Franchisee's corporate, partnership, or individual name, to be used exclusively in connection with Franchisee's operation of the Franchised Business. Upon the expiration and nonrenewal, transfer or termination of this Agreement for any reason, Franchisee shall terminate its use of such telephone number and listing and assign same to Franchisor or its designee. The Franchised Business shall be serviced by a suitable telephone system approved by Franchisor. Franchisee shall answer the telephone in the manner set forth by Franchisor in the Operations Manual.

6.6 **Insurance.** At all times during the term of this Agreement and at its own expense, Franchisee shall obtain and keep in force, and pay the premiums for insurance as required by the Operations Manual or otherwise. Currently, at a minimum, the requirements are: (i) public liability insurance with complete operations coverage and limits of liability for bodily injury of not less than

$1,000,000.00 for each injury and $1,000,000.00 for property damage in each occurrence; (ii) "all risk coverage" insurance for fire, business interruptions, etc. up to the replacement value of Franchisee's inventory; (iii) if required to do so by law, worker's compensation insurance for all of Franchisee's employees. Defense costs cannot erode policy limits. All insurance policies shall contain a separate endorsement naming Franchisor and its affiliates as additional insureds using ISO form CG2029 or an equivalent endorsement (no blanket additional insured language is acceptable). The policies shall expressly provide that any interest of an additional insured shall not be affected by Franchisee's breach of any policy provisions or any negligence on the part of an additional insured. All policies shall also include a waiver of subrogation in favor of the additional insureds. All policies shall be written by an insurance carrier accepted in writing by Franchisor. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier shall remain a going concern or capable of meeting claim demands during the term of the insurance policy. No insurance policy shall be subject to cancellation, termination, nonrenewal or material modification, except upon at least 30 days' prior written notice from the insurance carrier to Franchisor. Upon Franchisor's request, Franchisee shall provide Franchisor with a currently issued certificate of insurance evidencing coverage in conformity with the provisions of this Section. If Franchisee fails to comply with at least the minimum insurance requirements set forth by Franchisor, Franchisor may either terminate this Agreement, or obtain the insurance and keep the insurance in force and effect and Franchisee shall pay Franchisor, on demand, the cost of the premium cost and the administrative costs to Franchisor in connection with obtaining the insurance. Franchisor may increase or otherwise modify the minimum insurance requirements upon 30 days' prior written notice to Franchisee, and Franchisee shall comply with any such modification. Franchisee's obligation to obtain the required policies in the amounts specified is not limited in any way by any insurance Franchisor maintains. Franchisee's obligation to maintain the insurance does not relieve Franchisee of any liability under the indemnity provisions of Section 6.2. If the lease for the Franchised Business' premises requires Franchisee to purchase insurance with higher limits than those set forth in this paragraph, the lease insurance requirements will control. If Franchisee will be engaging in any construction, renovation or build-out of the premises for the Franchised Business, either Franchisee or Franchisee's third party contractor must have in force for the duration of said project, Commercial General Liability insurance and Worker's Compensation and Employer's Liability insurance in the amounts listed above as well as Builder's Risk insurance in an amount approved by Franchisor.

6.7 **Distribution.** Franchisor or its affiliates may distribute products identified by the Proprietary Marks or other marks owned or licensed by Franchisor or its affiliates through any distribution method which periodically may be established or licensed by Franchisor or its affiliates and may franchise or license others to do so, except as otherwise set forth in this Agreement.

6.8 **Image.** The Closet & Storage Concepts System has been developed to deliver products and services which establish the Franchised Business as a service provider of distinction. Therefore, Franchisor requires Franchisee to offer products and services and conduct the Franchised Business in such a manner which shall serve to emulate and enhance the image intended by Franchisor for the Closet & Storage Concepts System. Each aspect of the Closet & Storage Concepts System is important not only to Franchisee but also Franchisor, its affiliates, licensor and other franchisees of Franchisor in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by Closet & Storage Concepts System franchisees, Franchisor and its affiliates. Franchisee shall comply with the standards, specifications and requirements set forth by

Franchisor in order to uniformly convey the distinctive image of a Franchised Business.

7. SALE OR TRANSFER

7.1 **Consent to Transfer.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber its interest in the Franchised Business without the prior written consent of Franchisor. Any unauthorized transfer by Franchisee shall constitute a material breach of the Agreement and shall be voidable by Franchisor.

7.2 **Death or Disability.** In the event of the death, disability or incapacity of any individual Franchisee or officer or director or member of an incorporated Franchisee or limited liability company or partner of a partnership Franchisee, should the decedent's or disabled or incapacitated person's executor, heir or legal representative, or the business entity, as the case may be, wish to continue as Franchisee under this Agreement, such person shall apply for Franchisor's consent, execute the then-current franchise agreement, and complete the training program to Franchisor's satisfaction, as applicable, as in any other case of a proposed transfer of Franchisee's interest in this Agreement. Such assignment by operation of law shall not be deemed in violation of this Agreement, provided the heirs or legatees or business entity meet the conditions imposed by this Agreement and are acceptable to Franchisor.

If Franchisee is a business entity, this Agreement shall continue in effect upon the death of the largest equity owner, provided that the active management of the business entity shall remain stable and reasonably satisfactory to Franchisor in its sole discretion.

Franchisee's executor, heir or legal representative shall have 180 days from the date of death, disability or incapacity to execute Franchisor's then-current franchise agreement or transfer the franchise rights and business upon the terms and conditions set forth in this Agreement (except that the term shall be the balance of Franchisee's term). At the conclusion of the balance of the term, the new franchisee may exercise any or all of the then applicable renewal rights.Franchisor reserves the right to operate or oversee the operation of the Franchised Business if Franchisor believes, in Franchisor's sole judgment, that the Franchised Business is not being operated in a manner consistent with Franchisor's System or specifications.

7.3 **Ownership Changes.** A sale, transfer or assignment requiring the prior written consent of Franchisor shall be deemed to occur: (i) if Franchisee is a corporation or limited liability company, upon any assignment, sale, pledge or transfer of 20% or more of the voting stock or membership interests of Franchisee; any increase in the number of outstanding shares of voting stock or membership interests of Franchisee which results in a change of ownership of 20% or more of its total voting stock or membership interests, or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of the voting stock or membership interests of Franchisee; or (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of 20% or more of any partnership ownership interest or any series of assignments, sales, pledges or transfers totaling in the aggregate 20% or more of the partnership ownership interest. Franchisee shall notify Franchisor of any change in stock ownership, membership interests or partnership ownership interests in Franchisee while this Agreement is in effect which shall result in a sale, transfer or assignment within the meaning of this Section. A transfer to an existing partner, shareholder or member, or a transfer as a result of the death, disability or incapacity of a partner, shareholder or member in accordance with Section 7.2, or a transfer to an inter vivos trust where the transferring Franchisee, partner, shareholder or member is the only grantor beneficiary other than a spouse, shall not be a violation of this Agreement or a ground for termination; any such ownership change shall not be subject to Franchisor's right of first refusal under Section 7.3.1.

7.3.1 **Right of First Refusal.** If Franchisee or its equity owners propose to transfer or assign 20% or more of Franchisee's interest in this Agreement or in the business conducted under this Agreement or in Franchisee if Franchisee is a business entity, to any third party (other than a business entity as set forth in Section 7.4 and except as otherwise set forth in Section 7.3) in connection with a bona fide offer from such third party, Franchisee or its equity owners shall first offer to sell to Franchisor, Franchisee's or its equity owners' offered interest. Franchisee or its equity owner shall obtain from the third party offeror an earnest money deposit (of at least 15% of the offering price) and deliver to Franchisor a statement in writing, signed by the offeror and by Franchisee, of the terms of the offer. In the event of Franchisee's insolvency or the filing of any petition by or against Franchisee under any provisions of any bankruptcy or insolvency law, an amount and terms of purchase shall be established by an appraiser chosen by the bankruptcy court or by the chief judge of the federal district court of Franchisee's district and Franchisee or Franchisee's legal representative shall deliver to Franchisor a statement in writing incorporating the appraiser's report. Franchisor shall then have 45 days from its receipt of either statement to accept the offer by delivering written notice of acceptance by Franchisor or its nominee to Franchisee or its equity owner. The acceptance shall be on the same terms as stated in the statement delivered to Franchisor; provided, however, Franchisor or its nominee shall have the right to substitute equivalent cash for any noncash consideration included in the offer. If the parties cannot agree within a reasonable time on the equivalent cash for any noncash consideration, Franchisor shall designate an independent appraiser and the appraiser's determination shall be binding. If Franchisor or its nominee elects not to accept the offer within the 45 day period, Franchisee or its equity owner shall be free for 90 days after such period to complete the transfer described in the statement delivered to Franchisor, but only with the prior written consent of Franchisor and subject to the conditions for approval set forth in Section 7.3.2. Franchisee and its equity owners shall effect no other sale or transfer of this Agreement or Franchisee's interest in this Agreement or the business conducted under this Agreement or the interest in Franchisee, without first offering or reoffering the same to Franchisor in accordance with this Section 7. If in Franchisor's opinion there is a material change in the terms of the offer, the offer shall be deemed a new proposal and Franchisee or its equity owner shall be required to grant Franchisor or its nominee a right of first refusal with respect to such offer.

7.3.2 **Conditions for Approval.** Franchisor may condition its approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or of the interest in Franchisee upon satisfaction of the following requirements:

7.3.2.1 All of Franchisee's accrued monetary obligations to Franchisor, its affiliates and any supplier for the Franchised Business have been satisfied;

7.3.2.2 All existing defaults under the Franchise Agreement have been cured within the period permitted for cure;

7.3.2.3 Franchisee and its equity owners if Franchisee is a business entity, has executed a general release under seal, in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their officers, directors, equity owners, agents, employees, attorneys and accountants in their corporate and individual capacities; provided, however, the release shall not release any liability specifically provided for by any applicable state statute regulating franchising. Our current form or release is attached to this Agreement as Exhibit "5";

7.3.2.4 Franchisee has provided Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to discharge all of Franchisee's obligations under this Agreement;

7.3.2.5 The transferee has demonstrated to Franchisor's satisfaction that transferee or its designated manager meets Franchisor's managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations of this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business, chain or network which is similar in nature or in competition with Franchisor or Closet & Storage Concepts System franchisees, except that the transferee may be an existing franchisee of Franchisor;

7.3.2.6 The transferee has executed Franchisor's then-current Franchise Agreement for the remainder of the term of the current franchise agreement;

7.3.2.7 Franchisee or transferee has paid Franchisor a transfer fee equal to: (i) For franchises with a territory having a population of less than 1,000,000 individuals: 50% of the then current Initial Franchise Fee for a franchise of that size, subject to a minimum of $9,750; or (ii) For franchises with a territory of $1,000,000 or more individuals: 50% of the then current Initial Franchise Fee for a franchise of that size, subject to a minimum of $19,250;

7.3.2.8 The transferee and its manager shall complete Franchisor's training program to Franchisor's satisfaction at the transferee's own expense within the time frame set forth by Franchisor; and

7.3.2.9 Franchisee acknowledges and agrees that the post-termination provisions of this Agreement including, without limitation, the noncompetition provisions, shall survive the transfer of the Franchise.

7.4 **Transfer to a Corporation or Limited Liability Company.** If Franchisee is one or more individuals or a partnership, Franchisee may assign its rights under this Agreement to a corporation or limited liability company for convenience of ownership, provided:

7.4.1 The corporation or limited liability corporation is newly organized and its activities are confined to operating the Franchised Business;

7.4.2 Franchisee is, and at all times remains, the owner of at least 51% of the outstanding shares of the corporation or owns a controlling interest in the limited liability company;

7.4.3 The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations under this Agreement;

7.4.4 All stockholders of the corporation, or members and managers of the limited liability company, personally guarantee prompt payment and performance by the corporation or limited liability company, as applicable, of all its obligations to Franchisor under the Agreement and execute a

noncompetition agreement in the form reasonably acceptable to Franchisor.

7.4.5 Each stock certificate of the corporate franchisee shall have conspicuously endorsed upon its face a statement, in a form satisfactory to Franchisor, that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; the operating agreement of any limited liability company and any membership certificates shall contain a similar limitation; and

7.4.6 Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) the transferee corporation's Articles of Incorporation, Bylaws, resolutions including, without limitation, the resolutions of the Board of Directors authorizing entry into this Agreement; or (ii) the limited liability company's certificate of organization; and all other governing documents.

Franchisee is not required to pay Franchisor a transfer fee with respect to a transfer in accordance with this Section 7.4. However, Franchisee shall pay Franchisor's expenses in connection with a transfer under this Section 7.4 if Franchisee has not completed the transfer, including complying with this Section 7, as applicable, within 60 days following the execution of this Agreement but in no event later than the opening of the Franchised Business.

7.5 **Secured Interests and Securities.**

7.5.1 Franchisee shall not grant, and shall not permit a transfer in the nature of a grant of, a security interest in this Agreement.

7.5.2 If Franchisee is a corporation, it shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section 7 and shall issue no such securities upon the face of which the following printed legend does not legibly and conspicuously appear:

> The transfer of this stock is subject to the terms and conditions of a Franchise Agreement between Franchisor and the corporation dated _____, 20____. Reference is made to the Franchise Agreement and to the Articles of Incorporation and Bylaws of this corporation.

7.6 **Transfer by Franchisor.** Franchisor may sell, transfer, assign and/or encumber all or any part of its interest in itself or the Franchise Agreement.

8. BREACH AND TERMINATION

8.1 **Termination by Franchisee.** Franchisee may terminate this Agreement for cause if Franchisor is in breach of any material provision of this Agreement, by giving Franchisor written notice within 60 days of the event or circumstances giving rise to the breach. Franchisee must be in material compliance with this Agreement. The notice shall state specifically the nature of the breach and allow Franchisor 90 days after receipt of the notice to correct the breach. Franchisee's failure to give timely written notice of any breach shall be deemed to be a waiver of Franchisee's right to complain of that breach. If Franchisor fails to cure any material breach within the 90 day cure period, Franchisee may terminate this Agreement for that reason by providing written notice to Franchisor, except if the breach is not susceptible to cure within 90 days, but Franchisor takes action within 90 days to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, Franchisor shall be deemed to have timely cured the breach. Franchisee's termination will be effective only if Franchisee signs all documentation that Franchisor requires, including a release. Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

8.2 **Termination by Franchisor.** Franchisor may terminate this Agreement under the following circumstances:

8.2.1 **With Cause and With Opportunity to Cure.** If Franchisee is in breach of any material provision of this Agreement not listed in Section 8.2.2, by giving Franchisee written notice of the event or circumstances giving rise to the breach. The notice will state specifically the nature of the breach and allow Franchisee the following amount of time to correct the breach after receipt of notice:

(a) 7 days if the failure to comply relates to the Proprietary Marks or if a threat or danger to the public health or safety exists; except Franchisee must correct violation immediately if it is possible to do so;

(b) 15 days if the failure relates to Franchisee's failure to make any payment of money to Franchisor or its affiliates; and

(c) 30 days if the failure relates to any other breach not listed in this Section 8.2.1 or in Section 8.2.2.

If Franchisee fails to cure any material breach within the applicable cure period, Franchisor may terminate this Agreement for that reason by providing written notice to Franchisee, except if the breach is not susceptible to cure within the time permitted, but Franchisee takes action within the time permitted to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, Franchisee shall be deemed to have timely cured the breach. For purposes of this Agreement, Franchisee's alleged breach of this Agreement shall be deemed cured if both Franchisor and Franchisee agree in writing that the alleged breach has been corrected. Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

If Franchisee receives more than one default notice within a twelve month period, then Franchisee shall be required to meet with Franchisor at its corporate headquarters, or in Franchisor's sole discretion, via telephone conference. Such meeting shall occur within thirty days of Franchisee's receipt of written notice of the second (or any subsequent) default notice. If Franchisee fails to meet with Franchisor within

such thirty day period, Franchisor may terminate this Agreement (even if such defaults have been cured), by providing written notice to Franchisee.

8.2.2 **With Cause and Without Opportunity to Cure.** Franchisor may terminate this Agreement upon written notice without giving Franchisee opportunity to cure for any of the following breaches or defaults:

(a) **Criminal Acts.** If Franchisee is convicted of or pleads guilty or no contest to a felony or takes part in any criminal misconduct related to the operation of the Franchised Business or which affect the goodwill of the Proprietary Marks.

(b) **Voluntary Bankruptcy.** If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the franchise business.

(c) **Involuntary Bankruptcy.** If proceedings are commenced to have Franchisee adjudicated as bankrupt or to seek a reorganization of Franchisee under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee or the franchise business without Franchisee's consent, and the appointment is not vacated within 60 days.

(d) **Liens.** If a levy or writ of attachment or execution or any other lien is placed against Franchisee, any partner of Franchisee if Franchisee is a partnership, or any guarantor of Franchisee under Section 15 or any of their assets which is not released or bonded against within 60 days.

(e) **Insolvency.** If Franchisee, any partner of Franchisee, or the majority equity owner of Franchisee is insolvent.

(f) **Repeated Breaches.** If Franchisor sends Franchisee 3 or more written notices to cure pursuant to Section 8.2.1 in any 12 month period.

(g) **Misrepresentation.** If Franchisee makes any misrepresentation or omission in connection with Franchisee's franchise application.

(h) **Breach of Other Agreements.** If Franchisee or any partner, director, officer, shareholder or member of Franchisee materially breaches any other agreement with Franchisor or any of its affiliates, or any lease for the premises of the Franchised Business, and does not cure the breach within any permitted period for cure;

(i) **Fraud.** If Franchisee commits fraud in the operation of the Franchised Business.

(j) **Intentional Underreporting or Misstatement.** If Franchisee intentionally underreports or misstates any information required to be reported to Franchisor under this

Agreement, including but not limited to Gross Revenues required to be reported under this Agreement, or failure, in whole or in part, to provide Franchisor with information required to be reported.

(k) **Insurance.** If Franchisee fails to maintain any insurance required by this Agreement.

(l) **Confidential Information.** If Franchisee engages in the unauthorized use or disclosure of the Confidential Information.

(m) **Invalid Transfers.** Any attempted or purported assignment or transfer of this Agreement not in compliance with this Agreement; provided that if Franchisor does not elect to exercise its right to terminate this Agreement pursuant to this subsection, such inaction shall not be deemed to constitute a consent to such assignment or transfer nor to confer any rights or interest whatever upon the purported assignee or transferee, but this Agreement shall remain binding and in full force and effect as between Franchisor and Franchisee herein unless and until Franchisor elects to terminate the same.

(q) **Purchase or Lease of Approved Location; Opening.** Franchisee's failure to purchase or acquire a lease for the Approved Location or to open the Franchised Business within the required time period;

(r) **Loss of Right to Occupy Approved Location.** The lease or ownership of the Approved Location is terminated or expires and Franchisee does not relocate the Approved Location in accordance with the terms of this Agreement;

(s) **Abandonment.** Voluntary cessation of the Franchised Business, abandonment of the Franchised Business and/or the Approved Location by Franchisee, or the forfeiture by Franchisee of the right to do or transact business in the Territory or in the jurisdiction where the Approved Location is located; provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee's control) if, through no fault of Franchisee, the premises of the Franchised Business is damaged or destroyed by an event as described above; provided, that Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues and completes such reconstruction or relocation within one hundred eighty (180) days from the date of such event. This approval may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Franchised Business is not in operation.

Notice shall be either hand delivered or sent U.S. Mail, postage prepaid, certified mail, return receipt requested or sent by prepaid overnight courier.

8.3 **Nonwaiver.** Franchisor's delay in exercising or failure to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due under this Agreement or any other agreement between Franchisor and Franchisee or Franchisor's consent to a transfer of any interest in Franchisee shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

9. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

9.1 **Franchisee's Obligations.** Upon termination of this Agreement by either Franchisor or Franchisee, regardless of the cause, and upon expiration, nonrenewal or transfer of this Agreement, Franchisee shall:

9.1.1 Cease immediately all operations under this Agreement;

9.1.2 Pay immediately to Franchisor all unpaid fees and pay Franchisor, its affiliates and any supplier for the Franchised Business all other monies owed them;

9.1.3 Discontinue immediately the use of the Proprietary Marks and any proprietary computer software;

9.1.4 Immediately return the Operations Manual to Franchisor and all other manuals and Confidential Information loaned to Franchisee by Franchisor and immediately cease to use the Confidential Information;

9.1.5 Immediately cease using all telephone numbers and listings used in connection with the operation of the franchise business and direct the telephone company to transfer all such numbers and listings to Franchisor or its designee or, if Franchisor so directs, to disconnect the numbers;

9.1.6 Promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks as directed by Franchisor and all items which are a part of the trade dress of the Closet & Storage Concepts System;

9.1.7 Sell to Franchisor or its designee, at Franchisor's option, all inventory in useable form bearing the Proprietary Marks at the original purchase price thereof or at its then-current value if less than the original purchase price, in Franchisor's judgment, within 15 days following the date of termination or expiration;

9.1.8 Assign to Franchisor or its designee, at Franchisor's option, all customer contracts and deposit monies related to the Franchised Business.

9.1.9 Cease to hold itself out as a franchisee of Franchisor;

9.1.10 Take action necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark licensed by Franchisor and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within 30 calendar days after the termination, expiration or transfer of this Agreement;

9.1.11 Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records within 6 months of the effective date of termination, expiration, or transfer; and

9.1.12 Comply with the post-termination covenants set forth in Section 6.4.2, all of which shall survive the transfer, termination or expiration of this Agreement.

9.1.13 Immediately remove all signage bearing any of the Proprietary Marks from the Premises and any vehicles. If Franchisee fails to properly de-identify the premises or any vehicle, Franchisor will do so and charge Franchisee for its reasonable costs.

9.2 **Power of Attorney.** Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to execute in Franchisee's name and on Franchisee's behalf all documents necessary to discontinue Franchisee's use of the Proprietary Marks and the Confidential Information.

10. NOTICES

All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight courier, telegram or certified or registered mail (except that regular monthly and other reports from Franchisee may be sent by regular mail), prepaid, to the following addresses (which may be changed by written notice):

Franchisee: _____

_____

_____

Franchisor: The address of its then current principal place of business.

Notices sent by regular mail shall be deemed delivered on the third business day following mailing.

11. INTERPRETATION

11.1 **Amendments. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND CANNOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. NOTHING IN THIS AGREEMENT IS INTENDED TO DISCLAIM ANY INFORMATION CONTAINED IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT.**

11.2 **Choice of Law and Selection of Venue.** This Agreement shall be governed by the laws of the State of New Jersey. Except as set forth in Section 11.3, any action at law or equity instituted against either party to this Agreement shall be commenced in the state and county courts of Franchisor's principal place of business, currently the courts of Camden County, New Jersey or the United States District Court, District of New Jersey. Franchisee acknowledges that this Agreement has been entered into in the State of New Jersey, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in New Jersey including but not limited to assistance, support and the development of the System. In recognition of these services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of New Jersey as set forth above.

11.3 **Injunctive Relief.** Nothing in this Agreement shall prevent Franchisor from obtaining injunctive relief against actual or threatened conduct that shall cause it loss or damages, in any appropriate forum under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

11.4 **Construction of Language.** The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one (1) party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "immediate family" means the spouse, parent, children and siblings of Franchisee and the parents, children and siblings of Franchisee's spouse. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

11.5 **Successors.** References to Franchisor or Franchisee include their successors, assigns or transferees, subject to the limitations of this Agreement.

11.6 **Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Franchisor or any of its affiliates or protection of the Proprietary Marks, or the Confidential Information, including the Operations Manual and Franchisor's other trade secrets, is declared invalid or unenforceable, then Franchisor at its option may terminate this Agreement immediately upon written notice to Franchisee.

11.7 **No Right to Offset.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Franchisee under this Agreement or any related agreements.

11.8 **Force Majeure.** Neither Franchisor, its affiliates nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. The parties agree that lack of funds or economic hardship shall not constitute a Force Majeure event. Any delay resulting from any such cause shall extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or shall excuse performance, in whole or in part, as Franchisor deems reasonable.

11.9 **Rights Cumulative.** No right or remedy under this Agreement shall be deemed to be exclusive of any other right or remedy under this Agreement or of any right or remedy otherwise provided by law or and equity. Each right and remedy will be cumulative.

11.10 **Parties. The sole entity against which Franchisee may seek damages or any remedy under law or equity for any claim is Franchisor or its successors or assigns. The equity owners, directors, officers, employees, agents and representatives of Franchisor and of its affiliates shall not be named as a party in any litigation, arbitration or other proceedings commenced by Franchisee if the claim arises out of or relates to this Agreement.**

11.11 **LIMITATION OF LIABILITY. TO THE EXTENT PERMITTED BY LAW, IN NO EVENT SHALL FRANCHISOR BE LIABLE FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR ANY OTHER DAMAGES THAT ARE NOT DIRECT**

DAMAGES, REGARDLESS OF THE NATURE OF THE CLAIM FOR DAMAGES.

11.12 JURY TRIAL WAIVER. FRANCHISOR AND FRANCHISEE, RESPECTIVELY, WAIVE ANY RIGHT EITHER MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. FRANCHISOR AND FRANCHISEE, RESPECTIVELY, EACH ACKNOWLEDGE THAT THEY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.

11.13 FRANCHISOR AND FRANCHISEE AGREE THAT LITIGATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT FRANCHISOR AND FRANCHISEE SHALL BE THE ONLY PARTIES IN ANY JUDICIAL PROCEEDING DESCRIBED IN SECTION 11.2 OR SECTION 11.3, AND THAT NO SUCH PROCEEDINGS MAY BE CONSOLIDATED WITH ANY OTHER LITIGATION OR ARBITRATION PROCEEDING, NOR SHALL ANY OTHER PERSON BE JOINED AS A PARTY TO SUCH PROCEEDING.

11.14 FRANCHISOR APPROVAL AND DISCRETION. TO THE EXTENT THAT FRANCHISOR'S CONSENT OR APPROVAL IS REQUIRED OR ANY DECISION IS SUBJECT TO THE DISCRETION OF THE FRANCHISOR, AND WHENEVER FRANCHISOR EXERCISES A RIGHT, PRESCRIBES AN ACT OR THING, OR OTHERWISE MAKES A CHOICE OR USES DISCRETION, THE PARTIES AGREE THAT FRANCHISOR HAS THE WHOLLY UNRESTRICTED RIGHT TO MAKE DECISIONS AND/OR TAKE (OR REFRAIN FROM TAKING) ACTIONS, EXCEPT THAT FRANCHISOR WILL NOT ACT ARBITRARILY OR UNREASONABLY. HOWEVER, FRANCHISOR WILL NOT BE REQUIRED TO CONSIDER FRANCHISEE'S INDIVIDUAL INTERESTS OR THE INTERESTS OF ANY OTHER PARTICULAR FRANCHISEE(S), EVEN IF A PARTICULAR DECISION/ACTION MAY HAVE NEGATIVE CONSEQUENCES FOR FRANCHISEE, A PARTICULAR FRANCHISEE OR GROUP OF FRANCHISEES.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE ULTIMATE DECISION-MAKING RESPONSIBILITY WITH RESPECT TO THE SYSTEM (AMONG OTHER THINGS) MUST BE, AS A PRACTICAL BUSINESS MATTER, VESTED SOLELY IN FRANCHISOR, SINCE FRANCHISEE, FRANCHISOR AND ALL OTHER FRANCHISEES HAVE A COLLECTIVE INTEREST IN WORKING WITHIN A FRANCHISE SYSTEM WITH THE UNRESTRICTED FLEXIBILITY TO QUICKLY ADJUST TO CHANGING BUSINESS CONDITIONS, INCLUDING COMPETITIVE CHALLENGES, NEW REGULATORY DEVELOPMENTS AND EMERGING BUSINESS OPPORTUNITIES. FRANCHISEE UNDERSTANDS AND AGREES THAT FRANCHISOR HAVING SUCH RIGHTS ARE CRITICAL TO ITS ROLE AS FRANCHISOR AND TO OBTAIN THE PARTIES GOALS FOR CONTINUING IMPROVEMENT OF THE SYSTEM.

12. REPRESENTATIONS

12.1 **No Authority.** NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE FRANCHISOR EXCEPT AN AUTHORIZED OFFICER OF FRANCHISOR BY A WRITTEN DOCUMENT. FRANCHISEE

ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY OR ON BEHALF OF FRANCHISOR WHICH HAVE LED FRANCHISEE TO ENTER INTO THIS AGREEMENT.

12.2 **Receipt.** THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST 7 CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR FRANCHISEE'S PAYMENT OF ANY MONIES TO FRANCHISOR, REFUNDABLE OR OTHERWISE.

12.3 FRANCHISEE UNDERSTANDS THAT WHETHER IT, HE OR SHE SUCCEEDS AS A FRANCHISEE IS DEPENDENT UPON FRANCHISEE'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND THE CONTROL OR INFLUENCE OF FRANCHISOR. FRANCHISEE FURTHER UNDERSTANDS THAT SOME FRANCHISEES ARE MORE, OR LESS, SUCCESSFUL THAN OTHER FRANCHISEES AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE SHALL DO AS WELL AS ANY OTHER FRANCHISEE.

FRANCHISEE SPECIFICALLY ACKNOWLEDGES THAT IT, HE OR SHE HAS NOT RECEIVED OR RELIED ON (NOR HAS FRANCHISOR OR ANYONE ELSE PROVIDED) ANY STATEMENTS, PROMISES OR REPRESENTATIONS THAT FRANCHISEE WILL SUCCEED IN THE FRANCHISE BUSINESS; ACHIEVE ANY PARTICULAR SALES, INCOME OR OTHER LEVELS OF PERFORMANCE; EARN ANY PARTICULAR AMOUNT, INCLUDING ANY AMOUNT IN EXCESS OF FRANCHISEE'S INITIAL FRANCHISE FEE OR OTHER PAYMENTS TO FRANCHISOR; OR RECEIVE ANY RIGHTS, GOODS, OR SERVICE NOT EXPRESSLY SET FORTH IN THIS AGREEMENT. ANY STATEMENTS REGARDING ACTUAL, POTENTIAL OR PROBABLE REVENUES OR PROFITS OF ANY FRANCHISE BUSINESS NOT CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNAUTHORIZED, UNWARRANTED AND UNRELIABLE, FRANCHISOR WILL NOT BE RESPONSIBLE FOR IT AND IT SHOULD BE REPORTED TO FRANCHISOR IMMEDIATELY.

FRANCHISEE ACKNOWLEDGES AND UNDERSTAND THAT FRANCHISOR IS RELYING ON FRANCHISEE TO BRING FORWARD IN WRITING AT THIS TIME ANY MATTERS INCONSISTENT WITH THE REPRESENTATIONS CONTAINED IN THIS ARTICLE 12.3. FRANCHISEE AGREES THAT IF ANY OF THE STATEMENTS OR MATTERS SET FORTH IN THIS ARTICLE 12.3 ARE NOT TRUE, CORRECT AND COMPLETE THAT FRANCHISEE WILL MAKE A WRITTEN STATEMENT REGARDING SUCH NEXT TO FRANCHISEE'S SIGNATURE BELOW SO THAT FRANCHISOR CAN ADDRESS AND RESOLVE ANY SUCH ISSUE(S) AT THIS TIME.

12.4 **Opportunity for Review by Franchisee's Advisors.** FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS RECOMMENDED, AND THAT FRANCHISEE HAS HAD THE OPPORTUNITY TO OBTAIN, REVIEW OF THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT BY FRANCHISEE'S LAWYER,

ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO ITS EXECUTION.

12.5 **Execution Of Agreement.** **EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF THE BUSINESS ENTITY WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER, OFFICER, MEMBER OR MANAGER, THAT ALL OF THE EQUITY OWNERS OF FRANCHISEE, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE BUSINESS ENTITY.**

12.6 **Anti-Terrorism Law Compliance.** Neither Franchisee, any equity owner of Franchisee, nor any of its officers, directors, managers, members or employees, is, or at any time shall be named, either directly or by an alias or nickname, on the list of Specially Designated Nationals or Blocked Persons, which includes the names of suspected terrorists, as designated by the United States Department of the Treasury's Office of Foreign Assets Control, currently available at **http://www.ustreas.gov/offices/eotffc/ofac/sdn/index.html**. Franchisee acknowledges that Franchisor intends to comply, and Franchisee must comply, with all prohibitions against corrupt business practices, money laundering and support of terrorist activities, including those contained in the United States Patriot Act (currently available at **http://www.epic.org/privacy/terrorism/hr3162.html**), Executive Order 13224 (currently available at **http://www.ustreas.gov/terrorism.html**), and related United States Treasury regulations and any similar law ("***Anti-Terrorism Law***"). Franchisee shall immediately notify Franchisor of any misrepresentation or breach of this Section 12.6. Franchisor may terminate this Agreement without any opportunity for Franchisee to cure under Section 8.2.2 upon any misrepresentation or breach by Franchisee of this Section 12.6.

13. PERSONAL GUARANTEES

If Franchisee is a corporation, general partnership or limited liability company, or subsequent to execution of this Agreement, Franchisee assigns this Agreement to a corporation, general partnership or limited liability company, all shareholders, all general partners or all members and managers respectively, hereby personally and unconditionally guarantee without notice, demand or presentment the payment of all of Franchisee's monetary and non-monetary obligations under this Agreement as if each were an original party to this Agreement in his or her individual capacity. In addition, all personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All personal guarantors shall execute a continuing personal guarantee in the form attached as Exhibit 2.

14. OWNERSHIP OF FRANCHISE

If Franchisee is a corporation, general partnership or limited liability company, or subsequent to execution of this Agreement, Franchisee assigns this Agreement to a corporation, general partnership or limited liability company, the Statement of Ownership Interest attached to this Agreement completely and accurately describes all of the equity owners and their interests in Franchisee. Subject to Franchisor's rights and Franchisee's obligations herein, Franchisee agrees to sign and deliver to Franchisor a revised Statement of Ownership Interest to reflect any permitted changes in the information that it now contains.

Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) the transferee corporation's Articles of Incorporation, Bylaws, resolutions including, without limitation, the resolutions of the Board of Directors authorizing entry into this Agreement; or (ii) the limited liability company's certificate of organization or formation, the Operating Agreement; and all other governing documents. If Franchisee is an entity, it must be a single purpose entity and cannot operate any other business using the entity name.

The next page is the signature page.

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.

INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISEE:

_____
(Individual, Partnership, Corporation or LLC Name)

By:_____

Title: _____

FRANCHISOR:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

Witness_____

By:_____

Title: _____

EXHIBIT 1

INDIVIDUAL FRANCHISE LOCATION

The Approved Location for the Franchised Business is as follows:

TERRITORY

Franchisee's Territory is as follows:

FRANCHISEE:

Witness

(Individual, Partnership, Corporation or LLC Name)

By:_____

_____

Title:_____

FRANCHISOR:

CLOSETS UNLIMITED OF
NEW JERSEY, INC.

By: _____

Title: _____

EXHIBIT 2

PERSONAL GUARANTEE

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF ITS SHAREHOLDERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF ITS GENERAL PARTNERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY CORPORATION, ALL OF ITS MEMBERS AND MANAGERS MUST EXECUTE THE FOLLOWING UNDERTAKING.

The undersigned persons hereby represents to CLOSETS UNLIMITED OF NEW JERSEY, INC. (the "Franchisor"), that they are all of the shareholders of Franchisee, or all of the general partners of Franchisee, or all of the members and mangers of Franchisee, as the case may be. In consideration of the grant by Franchisor to Franchisee as provided under the Franchise Agreement between _____("Franchisee") and Franchisor, dated _____ 20__ (the "Franchise Agreement"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor, of said proposed transfer and obtaining the prior written consent of Franchisor and without first paying or causing to be paid to Franchisor, the transfer fee provided for in the Franchise Agreement, and without otherwise complying with the transfer provisions of the Franchise Agreement. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and noncompetition. The undersigned agree that the governing law and methods for resolution of disputes which govern this Guarantee shall be the same as those outlined in the Franchise Agreement.

EACH GUARANTOR ACKNOWLEDGES TO FRANCHISOR THAT GUARANTOR HAS READ THIS PERSONAL GUARANTEE AND UNDERSTANDS ITS TERMS AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTEE IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Dated:_____

_____
Print Name:

_____
Print Name:

_____
Print Name:

EXHIBIT 3(a)

CONFIDENTIALITY AGREEMENT

(For employees of the Franchisee)

1. Pursuant to a Franchise Agreement dated _____, 20___ (the "Franchise Agreement"), _____ (the "Franchisee") has acquired the right and franchise from CLOSETS UNLIMITED OF NEW JERSEY, INC. (the "Company") to establish and operate a _____ business (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only in the following territory: _____ (the "Territory").

2. The Company, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of Closet & Storage Concepts businesses providing for the designing, marketing, construction and installing of residential and commercial storage space including closets, garages, and other storage areas for consumers and the selling of related accessories in a retail showroom. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. In consideration for my employment with the Franchisee and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality and Non-Disclosure Agreement (the "Agreement").

4. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

5. As an employee of the Franchisee, the Company and Franchisee may disclose the Confidential Information to me via training programs, the Company's Confidential Operations Manual (the "Manual"), and other general assistance during the term of my employment with the Franchisee.

6. I will not acquire any interest in the Confidential Information, other than the right to utilize it in performing my duties for the Franchised Business during the term of my

employment with the Franchisee and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition. I covenant that I will not forward or provide the Confidential Information to any third party, nor store it on any personal or third party electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Company.

7. Any work performed by me during my employment with the Franchisee and any derivative works created by me using the Confidential Information or any proprietary information of the Company are considered "works made for hire" and I will have no ownership interest in the items created.

8. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of the Franchisee, and will continue not to disclose or use any such information even after I cease to be employed by the Franchisee, unless I can demonstrate that such information has become generally known to the public or easily accessible other than by the breach of an obligation of the Franchisee under the Franchise Agreement, a breach of the employees or associates of the Franchisee, or a breach of my own duties or the duties hereunder.

9. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

10. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

11. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, in addition to any other remedies available to them, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the

Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

12. This is not a contract for employment and does not guaranty my employment for any set period of time. I agree and understand that the Franchisee is my employer and I have no employment relationship with the Company.

13. Subject to the rights of the Franchisee and the Company in Section 11, it is expressly acknowledged, understood and agreed that any and all claims, disputes or controversies that may arise concerning this Agreement, or the construction, performance, or breach of this Agreement, will be submitted to and adjudicated, determined and resolved through compulsory, binding arbitration. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the American Arbitration Association ("AAA"), unless otherwise required by law, for any action or proceeding arising out of or relating to this Agreement, unless otherwise mutually agreed by the parties. It is acknowledged, understood and agreed that any such arbitration will be final and binding and that by agreeing to arbitration, the parties are waiving their respective rights to seek remedies in court, including the right to a jury trial. The parties waive, to the fullest extent permitted by law, any right they may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement, whether based in contract, tort, statute (including any federal or state statute, law, ordinance or regulation), or any other legal theory. **It is expressly acknowledged, understood and agreed that: arbitration is final and binding; the parties are waiving their right to seek legal remedies in court including the right to a trial by jury; pre-arbitration discovery generally is more limited than and different from that available in court proceedings; the arbitrator's award is not required to include factual findings or legal reasoning; and any party's right to appeal or vacate, or seek modification of, the arbitration award, is strictly limited by law.** It is understood, acknowledged and agreed that in any such arbitration, each party will be solely responsible for payment of his/her/its own counsel fees, with the costs of arbitration borne equally by the parties. Questions regarding the enforceability and scope of this arbitration provision will be interpreted and enforced in accordance with the U.S. Federal Arbitration Act. Otherwise, the terms of this Agreement shall be governed by the laws of the State of employment. Any such arbitration will be conducted in the county and State of employment.

14. In the event any action for equitable relief, injunctive relief or specific performance is filed, or should any action be filed to confirm, modify or vacate any award rendered through compulsory binding arbitration, I hereby irrevocably agree that the forum for any such suit will lie with a court of competent jurisdiction in the county and State of employment, and hereby agree to the personal jurisdiction and venue of such court.

15. This Agreement will be binding upon and inure to the benefit of all parties including my heirs, personal representatives, successors and assigns and Franchisee's and Company's officers, directors, executives, employees, representatives, successors, agents and

assigns. I understand that this Agreement may and will be assigned or transferred to, and will be binding upon and will inure to the benefit of, any successor of the Company, and any successor will be deemed substituted, for all purposes, as the "Company" under the terms of this Agreement. As used in this Agreement the term "successor" will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. I acknowledge that the services to be rendered by me in my employment are unique and personal. Accordingly, I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

Dated: _____

Signature: _____

Name: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

By: _____

Name: _____

ACKNOWLEDGED BY COMPANY

By: _____

Name: _____

Exhibit 3(b)

CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(for non-affiliated spouses of Franchisee/Franchisee's owners)

1. Pursuant to a Franchise Agreement dated _____, 20___ (the "Franchise Agreement"), _____ (the "Franchisee") has acquired the right and franchise from CLOSETS UNLIMITED OF NEW JERSEY, INC. (the "Company") to establish and operate a _____ business (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only in the following territory: _____ (the "Territory").

2. The Company, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of Closet & Storage Concepts businesses providing for the designing, marketing, construction and installing of residential and commercial storage space including closets, garages, and other storage areas for consumers and the selling of related accessories in a retail showroom. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. In consideration for the Company agreeing to enter into a Franchise Agreement with the Franchisee and my access to Confidential Information of Franchisee and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality, Non-Disclosure and Non-Competition Agreement (the "Agreement").

4. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in assisting with the operation of the Franchised Business during the term of my spouse's association with the Franchisee or the expiration or termination of the Franchise Agreement, whichever occurs first, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition. I covenant that I will not forward or provide the Confidential Information to any third party, nor store it on any

personal or third party electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Company.

7. I understand and agree that I will have no ownership interest in any derivative works created by me, the Franchisee's employees, or any third party using the Confidential Information or any proprietary information of the Company.

8. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with assisting the operation of the Franchised Businesses, and will continue not to disclose or use any such information even after my spouse ceases to be associated with the Franchisee, unless I can demonstrate that such information has become generally known to the public or easily accessible other than by the breach of an obligation of the Franchisee under the Franchise Agreement, a breach of the employees or associates of the Franchisee, or a breach of my own duties or the duties of my spouse hereunder.

9. Except as otherwise approved in writing by the Company, I shall not, during my spouse's association with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation (i) divert or attempt to divert any member, business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or (ii) own, maintain, engage in, be employed by, or have any interest in any other business which offers or sells products or services competitive with those sold or offered under the Closet & Storage Concepts or More Space Place System (a "Competing Business"); or (iii) own, maintain, engage in, be employed by or have any interest in any company that grants licenses or franchises for a Competing Business. Further, for a continuous uninterrupted period commencing upon the expiration or termination of (a) the Franchise Agreement or (b) my spouse's affiliation with the Franchisee (whichever occurs first), regardless of the cause for termination, and continuing for two (2) years, I shall not either directly or indirectly, for myself or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation (i) own, maintain, engage in, be employed by or have any interest in a Competing Business within the Territory or a radius of 20 miles from the Territory or any other More Space Place or Closet & Storage Concepts company owned or franchised business in operation or of any territory which is being considered or for which discussions are under way for a More Space Place or Closet & Storage Concepts franchise; or (ii) own, maintain, engage in, be employed by or have any interest in any company that grants licenses or franchises for a Competing Business.

The prohibitions in this Paragraph 9 do not apply to my spouse's continuing interests in or activities performed in connection with a Franchised Business that is still in operation.

10. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

11. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

12. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, in addition to any other remedies available to them, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

13. This is not a contract for employment. I agree and understand that I have no employment relationship with the Company.

14. The methods of dispute resolution and the governing law outlined in the Franchise Agreement are incorporated herein and shall govern any dispute in the meaning, understanding, effect, enforcement, interpretation or validity of this Agreement.

15. This Agreement will be binding upon and inure to the benefit of all parties including my heirs, personal representatives, successors and assigns and Franchisee's and Company's officers, directors, executives, employees, representatives, successors, agents and assigns. I understand that this Agreement may and will be assigned or transferred to, and will be binding upon and will inure to the benefit of, any successor of the Company, and any successor will be deemed substituted, for all purposes, as the "Company" under the terms of this Agreement. As used in this Agreement the term "successor" will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

Dated: _____

Signature: _____

Name: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

By: _____

Name: _____

ACKNOWLEDGED BY COMPANY

By: _____

Name: _____

EXHIBIT 4

BUSINESS LOCATION AGREEMENT

The Location of the Business shall be at: _____.

FRANCHISEE HAS MADE THE FINAL DECISION TO ESTABLISH THE FRANCHISED BUSINESS AT THE ABOVE LOCATION BASED UPON FRANCHISEE'S INDEPENDENT INVESTIGATION AND EVALUATION OF THE LOCATION.

FRANCHISOR'S AUTHORIZED SIGNATURE BELOW SHALL SIGNIFY APPROVAL OF THE LOCATION. FRANCHISOR'S APPROVAL IS BASED, IN LARGE PART, ON INFORMATION RECEIVED FROM FRANCHISEE FOLLOWING FRANCHISEE'S INVESTIGATION OF THE LOCATION. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR'S APPROVAL OF THE LOCATION AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF THE LOCATION DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, BY FRANCHISOR THAT THE BUSINESS OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

FURTHER, ASSISTANCE BY FRANCHISOR MUST NOT BE INTERPRETED AS A REPLACEMENT FOR LEGAL COUNSEL. FRANCHISOR STRONGLY RECOMMENDS THAT FRANCHISEE CONSULT WITH AN ATTORNEY WHO IS EXPERIENCED IN REVIEWING COMMERCIAL LEASES.

FRANCHISOR MAKES NO REPRESENTATION OF ANY KIND THAT ANY PLANS IT PROVIDES AND ANY GUIDANCE IT OFFERS ARE IN CONFORMANCE WITH LOCAL BUILDING CODES, ORDINANCES, PERMIT REQUIREMENTS, LEASE, SUBLEASE OR ANY DEED RESTRICTIONS OR REQUIREMENTS (the "LOCAL REQUIREMENTS"). FRANCHISEE'S AUTHORIZED SIGNATURE BELOW SHALL SIGNIFY ACCEPTANCE OF ANY PLANS OR GUIDANCE PROVIDED BY FRANCHISOR TO WHICH FRANCHISEE SHALL ADHERE TO IN THE CONSTRUCTION OR RENOVATION OF THE BUSINESS LOCATION AT FRANCHISEE'S EXPENSE, MODIFIED ONLY SO AS TO COMPLY WITH SUCH LOCAL REQUIREMENTS. COMPLIANCE WITH SUCH LOCAL REQUIREMENTS SHALL AT ALL TIMES TO BE SOLE OBLIGATION AND RESPONSIBILITY OF FRANCHISEE.

FRANCHISEE SHALL BEAR THE EXPENSE OF DEVELOPING ITS LOCATION ACCORDING TO THE PLANS OR GUIDANCE WHICH FRANCHISOR MAY PROVIDE.

Dated: _____, 20___

FRANCHISEE:

Witness

(Individual, Partnership, Corporation or LLC Name)

By:_____

_____

Title:_____

FRANCHISOR:

CLOSETS UNLIMITED OF
NEW JERSEY, INC.

By: _____

Title: _____

EXHIBIT 5

FORM OF GENERAL RELEASE
(Subject to Change)

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20___ ("Effective Date") by and among CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation having its principal place of business located at 436 Commerce Lane, Suite D, West Berlin, NJ 08091 (the "Franchisor"), _____, with an address of _____ ("Franchisee") and _____ ("Guarantors").

WHEREAS, Franchisor and Franchisee entered into a franchise agreement dated _____ (the "Franchise Agreement") which provides Franchisee with the right to operate a franchised business with a Territory consisting of _____ (the "Franchised Business");

Wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein set forth, do agree as follows:

1. The Franchise Agreement shall be deemed terminated as of the Effective Date of this Agreement, however, Franchisee and its Guarantors shall be bound by the post-term restrictions and covenants contained in the Franchise Agreement and attached schedules for the periods set forth therein.

2. Franchisee and its officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, predecessors, successors and assigns and Guarantors, do each hereby release Franchisor, its parents, officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors and assigns, from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which Franchisee and its Guarantors had, from the beginning of time to this date, arising under or in connection with the Franchise Agreement, it being the express intention of each party that this Release is as broad as permitted by law. Further, no claim released hereunder has been assigned to any individual or entity not a party to this Agreement.

3. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or

enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

4. The governing law, methods of dispute resolution and any right to recovery of attorney's fees outlined in the Franchise Agreement shall apply to this Agreement as well.

5. This Agreement and the other documents referred to herein contain the entire agreement between the parties hereto pertaining to the subject matter hereof and supersede all prior agreements, except those contemplated hereunder or not inconsistent herewith. Any waiver, alteration or modification of any of the provisions of this Agreement or cancellation or replacement of this Agreement shall not be valid unless in writing and signed by the parties.

6. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

7. Any waiver of any term of this Agreement by Franchisor will not operate as a waiver of any other term of this Agreement, nor will any failure to enforce any provision of this Agreement operate as a waiver of Franchisor's right to enforce any other provision of this Agreement.

8. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same Agreement. Signature pages may be executed and delivered via facsimile or electronic transmission, and any such counterpart executed and delivered via facsimile or electronic transmission shall be deemed an original for all intents and purposes.

In Witness Whereof, the parties by their undersigned representatives hereby execute this Release.

FRANCHISOR

By:_____
Name:

FRANCHISEE

By:_____
Name:

GUARANTORS:

_____
, individually

EXHIBIT 6

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") assigns and transfers to CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit "A" (the "Lease") respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified in this Agreement, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement between Assignee and Assignor for the operation of a Closet & Storage Concepts business (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor there from, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it shall not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

Witness

_____

ASSIGNOR:

(Individual, Partnership, Corporation or LLC Name)

By: _____

Title: _____

ASSIGNEE:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____

Title: _____

CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the aforedescribed Lease hereby:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with Section (a) above;

(c) Consents to the foregoing Collateral Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant there under, Lessor shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.

(e) On termination or expiration of the Franchise Agreement or the Lease, Assignee shall have the right to re-enter the Premises and make all necessary modifications or alterations to the Premises including the removal of all articles which display Assignee's Proprietary Marks. Assignee's re-entry shall not be deemed as trespassing.

DATED:

LESSOR:

_____

ASSIGNEE:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____

Title: _____

EXHIBIT 7

DISCLOSURE QUESTIONNAIRE

As you know, Closets Unlimited of New Jersey, Inc. (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Closets and Storage Concepts business or a More Space Place business (each, a "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Acknowledgments and Representations

1. Did you receive a copy of Franchisor's Franchise Disclosure Document (and all exhibits and attachments at least 14 calendar days prior to signing the Franchise Agreement or paying any consideration to the Franchisor (10 business days for **Michigan**; the earlier of 10 business days or the first personal meeting for **New York;** and the earlier of 14 calendar days or the first personal meeting for **Iowa**)? Check one: ☐ Yes ☐ No. If no, please comment:

   _____

2. Have you studied and reviewed carefully Franchisor's Franchise Disclosure Document and Franchise Agreement? Check one: ☐ Yes ☐ No. If no, please comment:

   _____

3. Did you receive a copy of the Franchise Agreement with any unilateral material changes made by us at least seven calendar days prior to the date on which the

Franchise Agreement was executed? Check one: ☐ Yes. ☐ No If no, please comment:

_____

4. Did you understand all the information contained in both the Franchise Disclosure Document and Franchise Agreement? Check one ☐ Yes ☐ No. If no, please comment:

_____

5. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document, including statements, promises or agreements concerning advertising, marketing, training, support services or assistance to be furnished to you? Check one: ☐ No ☐ Yes. If yes, please state in detail the oral, written or visual claim or representation:

_____

6. Did any employee, broker, or other person speaking on behalf of Franchisor make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted, or projected sales, revenues, expenses, earnings, income or profit levels at any Franchised Business, or the likelihood of success at your Franchised Business? Check one: ☐ No ☐ Yes. If yes, please state in detail the oral, written or visual claim or representation:

_____

7. Do you understand that that the Franchise granted is for the right to develop one Franchised Business only in your Territory, and that Franchisor has the right, subject only to the limited rights granted to you under the Franchise Agreement, to issue Franchises or licenses or operate competing businesses for or at locations, as Franchisor determines, near your Franchised Business? Check one: ☐ Yes ☐ No. If no, please comment:

_____

8. Do you understand that the Franchise Agreement contains the entire agreement between you and Franchisor concerning your Franchised Business, meaning that any prior oral or written statements not set out in the Franchise Agreement or Franchise Disclosure Document will not be binding? Check one: ☐ Yes ☐ No. If no, please comment:

_____

9. Do you understand that the success or failure of your Franchised Business will

depend in large part upon your skills and experience, your business acumen, your location, the local market for Franchised Business products and services, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Franchised Business may change? Check one ☐ Yes ☐ No. If no, please comment:

_____

10. You further acknowledge that Executive Order 13224 (the "Executive Order") prohibits transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

11. Please list all states in which the undersigned are residents: _____.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO FRANCHISOR AND THAT FRANCHISOR WILL RELY ON THEM. BY SIGNING THIS DOCUMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE FRANCHISEE A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____

Date: _____

Signed: _____

Date: _____

EXHIBIT 8

STATEMENT OF OWNERSHIP INTEREST

Effective Date: This Exhibit is current and complete as of _____, 20__

Franchisee Owners

1. **Form of Owner**. (Choose (a) or (b))

(a) **Individual Proprietorship**. List individual(s):

_____

_____

_____

(b) **Corporation, Limited Liability Company, or Partnership**. (CIRCLE ONE) You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name. The following is a list of your directors, if applicable, managers, if applicable, and officers as of the effective date shown above:

Name of Each Director/Manager/Officer	Position(s) Held

2. **Owners**. The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	Owner's Name	Percentage/Description of Interest
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Identification of Operating Principal**. Your Operating Principal as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). You may not change the Operating Principal without Franchisor's prior written approval. The Operating Principal is the person to receive communications from Franchisor and Notice for Franchisee.

Address:_____

_____

E-mail Address:_____

[Signatures on following page.]

FRANCHISEE

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Print Name of Franchisee Entity]

By:_____
[signature of person signing on behalf of entity]

Title of Signer:_____

DATED:_____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

_____
[signature of individual franchisee]

Print Name:_____

DATED:_____

_____
[signature of individual franchisee]

Print Name:_____

DATED:_____

EXHIBIT 9

CONSENT TO TRANSFER

FORM OF TRANSFER AGREEMENT

This TRANSFER AGREEMENT (this "Agreement") is made and entered into as of the _____ day of _____, 20____ (the "Effective Date"), by and among CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation having its principal place of business located at 436 Commerce Lane, Suite D, West Berlin, NJ 08091 ("Franchisor"), _____ ("Franchisee"), _____ (collectively "Franchisee Guarantors"), _____ (collectively "Transferee Guarantors) and _____("Transferee").

WITNESSETH:

WHEREAS, a Franchise Agreement dated _____ (the "Franchise Agreement") was executed by and between Franchisor on the one hand, and Franchisee, on the other, for the operation of a franchised business with a territory comprised of _____ (the "Franchised Business").

WHEREAS, Franchisee desires to transfer to Transferee substantially all of the assets of the Franchised Business, and Franchisee has requested that Franchisor consent to the transfer thereof to Transferee. This Agreement is executed and delivered simultaneously with, and as a condition of the closing of the sale of the assets of the Franchised Business.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. **Recitals Included in Agreement.** The parties incorporate into this Agreement the recitals set forth above as if set forth in full.

2. **Consent.** Franchisor hereby consents to and waives any right of first refusal in connection with, the sale of the Franchised Business and the transfer by Franchisee to Transferee (the "Transaction"), subject to the terms of this Agreement.

Franchisor's consent and waiver to the Transaction is subject to and made in reliance upon the following terms, conditions, representations and warranties, failure to comply constituting a default and rendering the transaction void:

A. Franchisee represents, warrants, covenants and agrees that each of the following are true and correct as of its respective date of execution, and shall remain

true through the Effective Date of this Agreement:

(1) Franchisee is the sole owner of and possesses good and marketable right, title and interest in and to the Franchise Agreement and the Franchised Business; and no other person or entity owns or has any right, title or interest in and to the franchise, the Franchise Agreement and/or the Franchised Business.

(2) Franchisee Guarantors are the sole owners of Franchisee, and no other person or entity has an equity or beneficial ownership interest in Franchisee.

(3) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Franchisee, or any lease, contract, promissory note or agreement to which Franchisee is a party or is bound.

B. Transferee represents, warrants, covenants and agrees that each of the following are true and correct as of its respective date of execution, and shall remain true through the Effective Date of this Agreement:

(1) Effective as of the Effective Date Transferee will be the sole owner of and possess good and marketable right, title and interest in and to the franchise relating to the Franchised Business, and substantially all of the assets of the Franchised Business; and no other person or entity will own or have any right, title or interest in and to the franchise, and/or the Franchised Business. Transferee will sign a new franchise agreement contemporaneously therewith. Transferee's ownership composition is set forth on Schedule 1, attached hereto

(2) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Transferee, or any lease, contract, promissory note or agreement to which Transferee or Transferee's Guarantors are a party or are bound.

(3) Transferee has not received any representation, warranty or guarantee, express or implied, as to the potential volume, profits or success of the Franchised Business from Franchisor or Franchisor's officers, directors, employees, agents or servants.

(4) Transferee relied solely and exclusively on Transferee's own independent investigation of the franchise system and of the Franchised Business and the historical financial records of the Franchised Business provided to Transferee by Franchisee; that based on the receipt of the actual historical performance of the Franchised Business it would not be reasonable to rely on the financial performance representation contained in Franchisor's Franchise Disclosure Document, or any other

financial performance representation, pro forma or projection that differed or diverged, in whole or in part, from the Franchised Business' actual historical financial performance.

C. To the extent not already completed, Transferee and any required employees shall attend and complete, to the satisfaction of Franchisor, Franchisor's training program required of new franchisees, at the time directed by Franchisor.

D. Transferee represents, warrants, covenants and agrees that all information furnished or to be furnished to Franchisor by Transferee in connection with Transferee's request to receive a transfer is and will be, as of the date such information is furnished, true and correct in all material respects and will include all material facts necessary to make the information not misleading in light of the circumstances.

E. Franchisee and Transferee represent, warrant and agree that, subject to Franchisor's consent, Franchisee will sell and transfer, and Transferee will acquire, the Franchised Business and that all legal actions necessary to effect the sale and transfer have been or will be accomplished prior to or at Closing.

F. Effective as of the day and time Transferee takes title of the Franchised Business ("Closing"), Transferee expressly agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Franchisee so that Transferee could operate the Franchised Business as of the Closing, but no sooner than the Closing. Only Franchisee will have the right to operate the Franchised Business until Closing, unless otherwise expressly agreed in writing.

G. Transferee agrees to sign a new franchise agreement, along with all ancillary documents, and pay a transfer fee of $_____.

3. **No Security Interests in the Assets of Transferee.** The parties acknowledge and agree that Franchisee is not permitted to retain a security interest in the assets of the Franchised Business or the franchise without Franchisor's prior consent.

4. **Non-Participation.** Franchisee, Franchisee's Guarantors, Transferee's Guarantors and Transferee jointly and severally, acknowledge and agree that, except for the preparation and execution of this Agreement, Franchisor has not participated in the transaction between them and, therefore, has no knowledge of, and does not attest to, the accuracy of any representations or warranties made by or between Franchisee and Transferee in connection with this transfer. Franchisor assumes no obligations in that regard. Transferee acknowledges and agrees that the sale of the Franchised Business is for Franchisee's own account.

5. **Insurance.** Prior to Closing, Transferee must provide Franchisor with a Certificate of Insurance for the insurance coverages specified in the franchise agreement, which policy(ies) must name Franchisor and all related parties as an additional insured.

6. **Changed Circumstances.** All parties understand and acknowledge that Franchisor may, in the future, approve offerings and transfers under different terms, conditions and policies. Franchisor's consent and waiver in this instance shall not be relied upon in future transactions as indicative of Franchisor's position or the conditions that might be attached to future consents or waivers of its right of first refusal.

7. **Singular Consent.** Franchisee and Transferee acknowledge and agree that Franchisor's execution of this Agreement is not intended to provide, and shall not be construed as providing, Franchisor's consent with regard to a transfer of any right or interest under any other agreement not specifically identified in this Agreement. Such consent must be separately obtained.

8. **Validity.** If any material provision or restriction contained herein shall be declared void or unenforceable under applicable law, the parties agree that such provision or restriction will be stricken, and this Agreement will continue in full force and effect. Notwithstanding this Paragraph, however, the parties agree that, to the extent Franchisor suffers harm as a consequence of the striking of such provision or restriction, the other parties to this Agreement shall exercise best efforts to make Franchisor whole.

9. **Indemnification.** Franchisee and Franchisee's Guarantors, jointly and severally, agree to indemnify, defend and hold harmless Franchisor and its principals or affiliates from and against any claims, losses, liabilities, costs or damages incurred by them as a result of or in connection with the operation of the Franchised Business by Franchisee, or any other actions by Franchisee or any persons for whom or which Franchisee is legally responsible. Without limiting the generality of the foregoing, Franchisee and Franchisee's Guarantors, joined by Transferee, and Transferee's Guarantors agree to indemnify, defend and hold harmless Franchisor from and against any claims, losses, liabilities or damages arising out of the transfer to Transferee or any dispute between Franchisee and Transferee.

10. **Counterparts.** All parties acknowledge and agree that this Agreement may be executed in counterparts and at various times and at various places by the several parties hereto, all of which counterparts taken together shall be deemed as one original. Executed facsimile or electronic copies of this Agreement shall be deemed to be as effective as original signatures.

11. **Miscellaneous.** The parties hereto agree that this Agreement constitutes, upon the execution of this Agreement by all of the parties and after it has been accepted and executed by Franchisor, the complete understanding between the parties regarding the subject matter hereof, and no representation, agreement, warranties, or statement, oral or in writing, not contained herein, shall be of any force and effect against any party, except the Termination Agreement and Release executed by Franchisee and the Franchisee's Guarantors shall remain valid, and this Agreement shall not be modified, altered or amended except in writing signed by all parties. The waiver by any party of any breach or violation of any provision of this Agreement will not operate or be construed as a waiver of any other or subsequent breach or violation hereof. This

Agreement will be binding upon the parties, and their respective heirs, executors, successors and assigns. The governing law and methods of dispute resolution in the Franchise Agreement shall govern this Agreement as well.

12. **Agreement Survives Closing.** All agreements, representations, warranties, terms and conditions set forth in this Agreement shall survive the execution and delivery of this Agreement, the Closing, and the consummation of the transactions provided for herein.

13. **Review of Agreement and Representation.** Franchisee, Franchisee's Guarantors, Transferee's Guarantors and Transferee each represent and acknowledge that he/she/it has received, read and understood this Agreement, including its exhibits; and that Franchisor has fully and adequately explained the provisions to each of their satisfaction; and that Franchisor has afforded each of them ample time and opportunity to consult with advisors of their own choosing about the potential benefits and risks of entering into this Agreement.

I HAVE READ THE ABOVE AGREEMENT. I WOULD NOT SIGN THIS AGREEMENT, IF I DID NOT UNDERSTAND IT AND AGREE TO BE BOUND BY ITS TERMS.

FRANCHISOR:
CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____

FRANCHISEE:

By: _____

FRANCHISEE GUARANTORS:

By: _____

, individually

By: _____

, individually

TRANSFEREE GUARANTORS:

By: _____

, individually

By: _____

, individually

TRANSFEREE:

By: _____

SCHEDULE 1

FRANCHISEE IDENTIFICATION AND OWNERSHIP

Effective Date: This document is current and complete as of _____, 20__

Franchisee Owners

1. **Form of Owner**. (Choose (a) or (b))

(a) **Individual Proprietorship**. List individual(s):

_____

_____

_____

(b) **Corporation, Limited Liability Company, or Partnership (circle one).** You were incorporated or formed on_____ under the laws of_____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name. The following is a list of your directors, if applicable, managers, if applicable, and officers as of the effective date shown above:

Name of Each Director/Manager/Officer	Position(s) Held

2. **Principals**. The following list includes the full name of each person or entity who is one of your Principals (as defined in the Franchise Agreement), and fully describes the nature of each Principal's interest (attach additional pages if necessary).

	Principal's Name	Percentage/Description of Interest
(a)		

(b) _____ _____

(c) _____ _____

(d) _____ _____

3. **Identification of Operating Principal**. Your Operating Principal as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). You may not change the Operating Principal without Franchisor's prior written approval. The Operating Principal is the person to receive communications from Franchisor and Notice for Franchisee.

Address: _____

_____

E-mail Address: _____

(FRANCHISEE)

By: _____
Name:
Title:

DATED: _____

CLOSETS UNLIMITED OF NEW JERSEY, INC.
(FRANCHISOR)

By: _____
Name:
Title

DATED: _____

EXHIBIT 10

ASSIGNMENT AND ASSUMPTION AGREEMENT

(PARTNERSHIP, CORPORATION or LIMITED LIABILITY COMPANY)

THIS ASSUMPTION AND ASSIGNMENT AGREEMENT (the **"Agreement"**) is made and entered into on _____, 20___ (the "Effective Date") by and among CLOSETS UNLIMITED OF NEW JERSEY, INC., a New Jersey corporation having its principal place of business located at 436 Commerce Lane, Suite D, West Berlin, NJ 08091 (**"Franchisor"**), _____ (**"Assignee"**), and _____an individual with an address at _____(**"Assignor"**).

BACKGROUND

A. Assignor and Franchisor entered into a certain Franchise Agreement dated _____(the **"Franchise Agreement"**) whereby Assignor was given the right and undertook the obligation to operate a franchised business (the "**Franchised Business**") at the following location_____.

B. Assignor has organized and incorporated Assignee for the convenience and sole purpose of owning and operating the Franchised Business.

C. Assignor desires to assign the rights and obligations under the Franchise Agreement to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement.

D. Franchisor is willing to consent to the assignment of the Franchise Agreement to Assignee, subject to the terms and conditions of this Agreement, including the agreement by Assignor to guarantee the performance by Assignee of its obligations under the Franchise Agreement.

AGREEMENT

In consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all right, title and interest in and to the Franchise Agreement, effective as of the date hereof.

2. Assignee hereby assumes all of Assignor's obligations, agreements, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of

the Franchisee thereunder with the same force and effect as if the Franchise Agreement were originally written with Assignee as Franchisee.

3. Exhibit A to this Agreement lists all of Assignee's owners and their interests in Assignee as of the Effective Date. Assignee agrees that it and its owners will sign and deliver to Franchisor a revised Exhibit A to reflect any permitted changes in the information that Exhibit A now contains.

4. The Assignor, as an owner of Assignee and in consideration of benefits received and to be received, shall sign and deliver to Franchisor a personal guaranty in the form attached as Exhibit B to this Agreement.

5. Assignor, for himself/herself and his/her agents, servants, employees, partners, members, heirs, predecessors, successors and assigns does hereby release Franchisor, its officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors and assigns, from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which he/she had, from the beginning of time to this date, arising under or in connection with the Franchise Agreement.

6. Assignee agrees that the Franchised Business which Assignee will operate under the Franchise Agreement will be the only business Assignee operates (although Assignor may have other, non-competitive business interests);

7. This Agreement shall be binding upon and inure to the benefit of the parties and their heirs, successors and assigns.

8. The governing law and methods of dispute resolution in the Franchise Agreement shall govern this Agreement as well.

9. This Agreement shall constitute the entire integrated agreement between the parties with respect to the subject matter contained herein and shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

10. If Franchisor retains the services of legal counsel to enforce the terms of this Agreement, Franchisor shall be entitled to recover all costs and expenses, including travel, reasonable attorney, expert and investigative fees, incurred in enforcing the terms of this Agreement.

11. Each party declares that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Agreement.

12. The obligations of Assignor and Assignee under this Agreement shall be joint and several.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

ASSIGNOR:

_____

ASSIGNEE:

By:_____
Name:
Title:

FRANCHISOR:

CLOSETS UNLIMITED OF NEW JERSEY, INC.

By: _____
Name:
Title:

EXHIBIT A TO CLOSETS UNLIMITED OF NEW JERSEY, INC.
ASSUMPTION AND ASSIGNMENT AGREEMENT

Effective Date: This document is current and complete as of _____, 20__

Franchisee Owners

1. **Form of Owner**. (Choose (a) or (b))

(a) **Individual Proprietorship**. List individual(s):

_____

_____

_____

(b) **Corporation, Limited Liability Company, or Partnership (circle one)**. You were incorporated or formed on_____ under the laws of_____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name. The following is a list of your directors, if applicable, managers, if applicable, and officers as of the effective date shown above:

2. **Principals**. The following list includes the full name of each person or entity who is one of your Principals (as defined in the Franchise Agreement), and fully describes the nature of each Principal's interest (attach additional pages if necessary).

	Principal's Name	**Percentage/Description of Interest**
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

(FRANCHISEE)

By:_____
Name:
Title:

DATED:_____

CLOSETS UNLIMITED OF NEW JERSEY, INC.
(FRANCHISOR)

By: _____
Name:
Title

DATED: _____

EXHIBIT B TO CLOSETS UNLIMITED OF NEW JERSEY, INC.
ASSUMPTION AND ASSIGNMENT AGREEMENT

GUARANTY

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF ITS SHAREHOLDERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF ITS GENERAL PARTNERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY CORPORATION, ALL OF ITS MEMBERS AND MANAGERS MUST EXECUTE THE FOLLOWING UNDERTAKING.

The undersigned persons hereby represents to CLOSETS UNLIMITED OF NEW JERSEY, INC. (the "Franchisor"), that they are all of the shareholders of Franchisee, or all of the general partners of Franchisee, or all of the members and mangers of Franchisee, as the case may be. In consideration of the grant by Franchisor to Franchisee as provided under the Franchise Agreement between _____ ("Franchisee") and Franchisor, dated _____ 20__ (the "Franchise Agreement"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor, of said proposed transfer and obtaining the prior written consent of Franchisor and without first paying or causing to be paid to Franchisor, the transfer fee provided for in the Franchise Agreement, and without otherwise complying with the transfer provisions of the Franchise Agreement. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and noncompetition. The undersigned agree that the governing law and methods for resolution of disputes which govern this Guarantee shall be the same as those outlined in the Franchise Agreement.

EACH GUARANTOR ACKNOWLEDGES TO FRANCHISOR THAT GUARANTOR HAS READ THIS PERSONAL GUARANTEE AND UNDERSTANDS ITS TERMS AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTEE IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Dated:_____

_____
Print Name:

_____
Print Name:

EXHIBIT 11

TELEPHONE, INTERNET WEB SITES AND LISTINGS AGREEMENT

THIS TELEPHONE, INTERNET WEB SITES AND LISTINGS AGREEMENT (the "Agreement") is made and entered into as of the _____ day of _____, 20___ (the "Effective Date"), by and between Closets Unlimited of New Jersey, Inc., a New Jersey corporation (the "Franchisor"), and _____, a _____ (the "Franchisee").

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a _____ franchised business (the "Franchise Agreement"); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **TRANSFER; APPOINTMENT**

2.1 Interest in Telephone Numbers, Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the "Telephone Numbers and Listings"); domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the "Internet Web Sites and Listings") related to the Franchised Business or the Marks (all of which right, title, and

interest is referred to herein as "Franchisee's Interest").

2.2 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all Telephone companies or listing companies, Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the "Companies") with which Franchisee has Telephone Numbers and Listings or Internet Web Sites and Listings: (i) to transfer all of Franchisee's Interest in such Telephone Numbers and Listings or Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings or Internet Web Sites and Listings, Franchisee will immediately direct the Companies to terminate such Telephone Numbers and Listings or Internet Web Sites and Listings or will take such other actions as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Companies to transfer all Franchisee's Interest to Franchisor;

2.3.2 Direct the Companies to terminate any or all of the Telephone Numbers and Listings or Internet Web Sites and Listings; and

2.3.3 Execute the Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Companies have duly transferred all Franchisee's Interest to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Telephone Numbers and Listings or Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Companies for the sums Franchisee is obligated to pay such Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings or Internet Web Sites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Agreement shall be joint and several.

3.9 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New Jersey, without regard to the application of New Jersey conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

CLOSETS UNLIMITED OF NEW JERSEY, INC.:	FRANCHISEE:
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

EXHIBIT 12
ELECTRONIC TRANSFER AUTHORIZATION

AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO CLOSETS UNLIMITED OF NEW JERSEY, INC. ("COMPANY")

Depositor hereby authorizes and requests _____ (the "Depository") to initiate debit and credit entries to Depositor's ☐ checking or ☐ savings account (select one) indicated below drawn by and payable to the order of Closets Unlimited of New Jersey, Inc. by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name:_____

City:_____ State:_____ Zip Code:_____

Transit/ABA Number:_____ Account Number:_____

This authority is to remain in full force and effect until Depository has received written notification from Closets Unlimited and Depositor of its termination.

Depositor: (Please Print)

_____

_____

_____

Date Signed

_____

_____

Signature(s) of Depositor, as Printed Above

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

Exhibit D-1

MORE SPACE PLACE TABLE OF CONTENTS-OPERATIONS MANUAL

Closets Unlimited of New Jersey, Inc.

EXHIBIT D-1
TO THE DISCLOSURE DOCUMENT

MORE SPACE PLACE OPERATIONS MANUALS
TABLE OF CONTENTS

Part I	Pre-Opening	Total Pages - 74
Part II	Administration and Daily Operations	Total Pages - 74
Advertising Tool Kit		

Exhibit D-2

CLOSET & STORAGE CONCEPTS TABLE OF CONTENTS-OPERATIONS MANUAL

Closets Unlimited of New Jersey, Inc.

1 INTRODUCTION 1
1.1 COMPANY OVERVIEW 1
1.2 HOME OFFICE 1
1.3 ORGANIZATION OF THIS OPERATIONS MANUAL 2

2 CLOSET & STORAGE CONCEPTS - THE BASICS 3
2.1 AN OVERVIEW OF THE CSC BUSINESS MODEL 3
2.2 THE CSC CUSTOMER EXPERIENCE 5
2.3 CSC SERVICE STANDARDS 6
2.4 SALES ACTIVITIES 7

3 DESIGNING A CSC SYSTEM 9

4 CSC SALES PROCEDURES 62

5 CSC PRODUCTION PROCEDURES 74
5.1 CALCULATING THE CUT SHEET 74
5.2 PRODUCTION OF COMPONENTS 76
5.3 PRODUCTION EQUIPMENT OVERVIEW 77
5.4 GENERAL PRODUCTION SAFETY 78
5.5 SYSTEM COMPONENTS STANDARDS 79
5.6 INVENTORY MANAGEMENT 83

6 CSC INSTALLATION PROCEDURES 86
6.1 ARRIVING AT THE CLIENT SITE 86
6.2 PREPARING THE CLOSET 86
6.3 INSTALLING RAILS 87
6.4 INSTALLING VERTICAL PARS AND TOP SHELF 88
6.5 ATTACHING FIXED SHELVES 89
6.6 PRELIMINARY LEVELING OF SYSTEM 90
6.7 ATTACHING ACCESSORIES 90
6.8 FINAL LEVELING AND SECURING SYSTEM 90
6.9 AFTER THE INSTALLATION 91

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7 EMPLOYMENT AND PERSONNEL 92

7.1 FINDING EMPLOYEES 92
7.2 INTERVIEWING POTENTIAL EMPLOYEES 93
7.3 JOB POSITIONS AND DESCRIPTION OF DUTIES 96
7.4 MANAGING EMPLOYEES 103
7.5 SCHEDULING LABOR 104
7.6 DRESS CODE 104

8 MARKETING YOUR CSC FRANCHISE 105

8.1 MARKETING EFFECTIVENESS 105
8.2 THREE PHASES OF A BUSINESSES LIFE CYCLE 105
8.3 GOAL SETTING 106
8.4 MARKETING PLAN 106
8.5 EXTERNAL MARKETING 108
8.6 INTERNAL MARKETING 112
8.7 FOLLOW UP 113

9 ACCOUNTING, INSURANCE & LEGAL MATTERS 118

9.1 LEGAL FORM OF OPERATION 118
9.2 BANKERS 120
9.3 PROFESSIONAL ADVISORS 123
9.4 LAWYERS 123
9.5 ACCOUNTANTS 124
9.6 BOOKS AND RECORD-KEEPING 125
9.7 BUSINESS PAPERS 126
9.8 PAYROLL RECORDS 126
9.9 INSURANCE 128

10 CHOOSING A FRANCHISE LOCATION 129

10.1 CHOOSING A GEOGRAPHY 129
10.2 HOW TO DO A MARKET SURVEY 131
10.3 CHOOSING A MARKET AND SITE 133
10.4 LEASING THE PROPERTY 135
10.5 PHONE, INTERNET AND UTILITIES 137

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11 PRICING OF SERVICES 138

11.1 SETTING PRICES 138

11.2 PROFIT DRIVERS 139

11.3 TRENDS TO WATCH 141

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Exhibit E-1

MORE SPACE PLACE LIST OF FRANCHISEES

Closets Unlimited of New Jersey, Inc.

More Space Place - List of Franchisees
As of December 31, 2017

CO - Frisco
Tony & Kelly Pestello
725 Ten Mile Drive #130
Frisco, CO 80443
Ph: 970/668-1000
FAX: 970/668-1001

FL - Altamonte Springs
Richi Dhingra
1200 E. Altamonte Dr., #1020
Altamonte Springs, FL 32701
Ph: 407-339-5077
FAX: 407-339-0550

FL - Bradenton
Pat Doyle
1847 Lakewood Ranch Blvd.
Bradenton, FL 34211
Ph: 941/538-6574
FAX: 941/538-6575

FL - Daytona/Ormond Beach
Paul Smith (Andrew Smith, son)
752 S. Yonge St.
Ormond Beach, FL 32174
Ph: 386/672-1863
FAX: 386/672-7303

FL - Ft. Myers
Susan Merlotti
14680 Tamiami Trail South
Fort Myers, FL 33912
Ph: 239/489-2828
FAX: 239/489-2869

FL – Jacksonville/Jacksonville Beach
Sue Corso
11744 Beach Blvd., Suite 102
Jacksonville Beach, FL 32246
Ph: 904/645-5222
FAX: 904/273-0991

FL - Naples
Susan Merlotti
1720 Airport Rd. South
Naples, FL 34112
Ph: 239/732-6366
FAX: 239/732-1775

FL - North Palm Beach
Mitchell Fuchs
11219 US Highway 1,
North Palm Beach, Fl. 33408
(845) 709-3877

FL - Palm Harbor
Clark Williams & Bob Schmidt
33136 U.S. Hwy. 19 No.
Palm Harbor, FL 34684
Ph: 727/773-9888
FAX: 727/773-9886

FL - Port Charlotte
Pat Doyle
1808 Tamiami Trail, D-1
Port Charlotte, FL 33948
Ph: 941/613-2797
FAX: 941/613-2795

FL - Sarasota
Pat Doyle
3906 Tamiami Trail So.
Sarasota, FL 34231
Ph: 941/927-0807
FAX: 941/927-0912

FL - St. Petersburg
Clark Williams & Bob Schmidt
10722 Gandy Boulevard North
St. Petersburg, FL 33702
Ph: 727/507-9799
FAX: 727/498-8906

FL – Tampa-Lutz
Clark Williams & Bob Schmidt
23114 State Rd. 54
Lutz, FL 333549
Ph: 813/935-8432

GA - Buckhead/Atlanta
Jim Collins
3145 Peachtree Rd., NE Suite 109
Atlanta, GA 30305
Ph: 404/467-9099
FAX: 404/467-9022

NH - Salem
Keith Belair
450 So. Broadway
Salem, NH 03079
Ph: 603/893-1199
FAX: 603/893-6499

NC - Asheville
Jim Foley
1025 Brevard Rd., #7
Asheville, NC 28806
Ph: 828-665-9665
FAX: 828-665-2766

NC - Wilmington
Tom & Jean Dergay
4107-D Oleander Drive
Wilmington, NC 28403
Ph: 910/399-6091
FAX: 910/399-6253

SC - Charleston
David (Wes) Bishop
1907 HWY 17N Suite 102
Mt. Pleasant, SC 29464
(843) 714-9182

SC-Greenville
Jim Foley
630 Mills Avenue
Greenville, SC 29605
(828) 665-9665

SC - Hilton Head
Bryan Mudrak
1304-G Fording Island Rd.
Bluffton, SC 29910
Ph: 843/836-1304
FAX: 843/836-1066

SC - Myrtle Beach
Paul & Patty Gamsby
584 Hwy 17 North
North Myrtle Beach, SC 29582
Ph: 843/249-4200
FAX: 843/281-1467

SC – Surfside Beach
Paul & Patty Gamsby
8703-L Hywy. 17 Bypass South
Surfside Beach, SC 29575
Ph: 843/748-9191

TN - Nashville
Cynthia & John Crego
7106 Crossroads Blvd. #201
Brentwood, TN 37027
Ph: 615/771-0596
FAX: 347/521-0596

TX - Austin
Joanna McDonald
2438 W. Anderson Lane, Suite C-7
Austin, TX 78757
Ph: 512/419-7911
FAX: 512-532-0304

TX – San Antonio
Joanna McDonald
930 Proton Road Suite 306
San Antonio, TX 78258
Ph: 512/419-7911
FAX: 512-532-0304

TX - Houston
Andy & Lori Armstrong
25403 I-45 No., Suite C
Spring, TX 77380
Ph: 832/585-0700
FAX: 832/585-0639

TX – Dallas
John & Hailey Hobbs
2514 Tarpley Road, Suite 106
Carrollton, TX 75006
Ph: 214/436-5433
FAX: 214/872-3139

VA – Chantilly
Robert Meyers
14502 Lee Road. Unit F
Chantilly, VA 20151
Ph: 202/683-8114

FRANCHISEES WHO HAVE LEFT THE SYSTEM:

TRANSFER TO ANOTHER FRANCHISEE:

TX-Dallas
Chuck Brehm
2215 Spring Lake Park Lane
Spring TX 77386
Ph: 713-591-6827

Exhibit E-2

CLOSET & STORAGE CONCEPTS LIST OF FRANCHISEES

Closets Unlimited of New Jersey, Inc.

LIST OF CLOSET & STORAGE CONCEPT FRANCHISEES
As of December 31, 2017

Arizona
Laurie & Brian Dunny
15125 N. Hayden Road - Suite #123
Scottsdale, AZ 85260
(904) 923-1124

California
Steven Mort
1313 Scenic Drive
Modesto, CA
(209) 497-6360

Colorado
Isaiah and Michelle Rozek
117 South Sunset Street - Suite A
Longmont, CO 80501
(303)-682-4052

Connecticut
Karen Bradbury
356 Ely Avenue
Norwalk, CT 06854
(203)-957-3304

Massachusetts
Brian and Mary Pat McShary
31 Hayward Street
Franklin, MA 02038
(508)-5533550

Nevada
Rob DiChristopher
900 Warm Springs Road - Suite C-105
Henderson, NV 89011
(702)-459-0025

New Jersey
Joe Regan
430 Route 46 East
Fairfield, NJ 07004
(973) 227-4150

North Carolina
Andrew and Leah Ward
635 Pressley Road - Suite N
Charlotte, NC 28217
(704)-525-6515

Pennsylvania
Kevin Owles
22 Sabrina Street
Wernersville, PA 19565
(717)-735-1444

THE FOLLOWING FRANCHISEES LEFT THE SYSTEM:

None

Exhibit F

FINANCIAL STATEMENTS

Closets Unlimited of New Jersey, Inc.

CLOSETS UNLIMITED OF NEW JERSEY, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2017 and 2016
With Independent Auditors' Report

1000 Haddonfield-Berlin Road, Suite 206
Voorhees, NJ 08043
P: (856) 782-0098 | F: (856) 782-7383
www.SullivanStrategic.com

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT **1-2**

FINANCIAL STATEMENTS

Balance Sheets 3-4
Statements of Income and Accumulated Deficit 5
Statements of Cash Flows 6
Notes to the Financial Statements 7-14

SUPPLEMENTARY INFORMATION

Schedules of Revenues 15
Schedules of Cost of Sales 16
Schedules of Selling and Administrative Expenses 17

SULLIVAN STRATEGIC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Stockholder of
Closets Unlimited of New Jersey, Inc.
West Berlin, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Closets Unlimited of New Jersey, Inc. (a New Jersey S-Corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

SULLIVAN STRATEGIC
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Closets Unlimited of New Jersey, Inc. as of December 31, 2017, and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 15, 16, and 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

John P. Sullivan, CPA/ABV, CVA
President, Sullivan Strategic
Voorhees, New Jersey
February 13, 2018

Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 41,749	$ 51,754
Accounts receivable, net	106,645	75,592
Inventory	24,464	33,962
Prepaid expenses	-	-
Employee advances	900	400
Total current assets	173,758	161,708
Property and equipment:		
Machinery and equipment	415,221	309,526
Office equipment	162,285	157,306
Furniture and fixtures	29,990	29,990
Vehicles	154,583	123,927
Leasehold improvements	18,087	18,087
	780,166	638,836
Less: accumulated depreciation	(571,271)	(533,180)
Property and equipment, net	208,895	105,656
Other assets:		
Security deposits	14,884	10,330
Intangible assets, net	316,667	346,667
Total other assets	331,551	356,997
Total assets	$ 714,204	$ 624,361

See independent auditors' report and notes to the financial statements.

Balance Sheets
December 31, 2017 and 2016

	2017	2016
Liabilities and Stockholder's Deficit		
Current liabilities:		
Line of credit	$ 164,494	$ 104,494
Long term debt, current portion	51,166	33,422
Capital lease obligations, current portion	29,895	25,835
Accounts payable	103,767	81,827
Accrued expenses	60,911	45,332
Total current liabilities	410,233	290,910
Long term liabilities:		
Long term debt, net of current portion	202,703	137,086
Capital lease obligations, net of current portion	25,136	48,896
Stockholder advances	293,067	349,067
Total long term liabilities	520,906	535,049
Total liabilities	931,139	825,959
Stockholder's deficit		
Common stock - $1 par value; 1,000 shares authorized; 300 shares issued and outstanding	300	300
Additional paid in capital	844,977	844,977
(Accumulated deficit)	(1,062,212)	(1,046,875)
Total stockholder's deficit	(216,935)	(201,598)
Total liabilities and stockholder's deficit	$ 714,204	$ 624,361

See independent auditors' report and notes to the financial statements.

Statement of Income and (Accumulated Deficit)
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues	$ 2,721,197	$ 2,690,412
Cost of sales	507,963	488,748
Gross profit	2,213,234	2,201,664
Operating expenses:		
Selling and administrative	2,134,328	1,990,409
Depreciation	38,091	42,044
Amortization	30,000	30,000
Total operating expenses	2,202,419	2,062,453
Income (loss) from operations	10,815	139,211
Other expenses (income):		
Interest expense	25,752	30,020
Loss (gain) of sale of asset	(1,900)	-
Total other expenses, net	23,852	30,020
Income before provision for income tax	(13,037)	109,191
Provision for income tax	2,300	1,500
Net income (loss)	(15,337)	107,691
(Accumulated deficit) - January 1	(1,046,875)	(1,154,566)
(Accumulated deficit) - December 31	$ (1,062,212)	$ (1,046,875)

See independent auditors' report and notes to the financial statements.

Statement of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net income (loss)	$ (15,337)	$ 107,691
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	68,091	72,044
Gain on sale of asset	(1,900)	-
(Increase) decrease in assets	(26,609)	12,631
Increase (decrease) in current liabilities	37,519	(30,087)
Net cash provided by operating activities	61,764	162,279
Cash flows from investing activities:		
Proceeds from sale of asset	1,900	-
Purchase of property and equipment	(3,246)	(4,260)
Net cash used in investing activities	(1,346)	(4,260)
Cash flows from financing activities:		
Repayments of long term debt	(49,744)	(38,798)
Repayments on capital lease obligations	(24,679)	(24,171)
Net borrowings on line of credit	60,000	5,000
Repayments on shareholder loans	(56,000)	(66,000)
Net cash used in financing activities	(70,423)	(123,969)
Net increase (decrease) in cash	(10,005)	34,050
Cash and cash equivalents, January 1	51,754	17,704
Cash and cash equivalents, December 31	$ 41,749	$ 51,754
Supplemental Disclosures		
Interest Paid in Cash	$ 25,752	$ 30,020
Income Taxes in Cash	$ 2,300	$ 1,500

See independent auditors' report and notes to the financial statements.

Note 1 Organization and Nature of Activities

Closets Unlimited of New Jersey, Inc. (hereinafter the "Company"), trading as Closet & Storage Concepts and More Space Place, designs, manufactures and installs organizational and storage products used in residential and business settings. In addition, since 2000, the Company has sold and supported, with product and marketing, franchises in markets throughout the United States. At the end of 2017, the Company serviced nine individually owned franchises trading as Closet & Storage Concepts and twenty-eight individually owned franchises trading as More Space Place.

The Company is headquartered in West Berlin, NJ and operates two Closet & Storage Concepts company-owned locations servicing New Jersey, Pennsylvania, Delaware and Maryland. Many of the products installed are for residential closet use; designs often include multiple levels of hanging poles for clothing, shelving for folded garments, shoe racks, tie racks, belt racks, drawers, baskets, as well as other space saving home furnishings such as Murphy wall beds. Other designs and products are developed to the customer's specific needs.

Note 2 Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in which revenues and gains are recognized when earned and expenses and losses are recognized when incurred. Initial franchise fee revenue from an individual franchise sale is recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Royalties are earned as the underlying sales are generated by franchisees.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Summary of Significant Accounting Policies *(Continued)*

Cash and Cash Equivalents
The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Trade Receivables
Trade receivables are shown net of an allowance for bad debts of $0 at December 31, 2017 and 2016. The Company's policy is to extend credit to customers that management has determined to be credit-worthy. The Company considered all remaining accounts receivable at December 31, 2017 and 2016 to be fully collectible.

Inventories
Inventory is comprised primarily of raw materials (e.g. laminate, accessories, closet hardware) which have not been charged to specific jobs as well as logo and promotional items sold to the franchises. Due to the custom nature of the Company's business model, there are no finished goods inventory and work-in-progress inventory is minimal. Inventories are stated at the lower of cost or market value. Cost is determined using the first-in, first-out (FIFO) method. Market is determined by the most recent selling price. The inventory at December 31, 2017 and 2016 was $24,464 and $33,962, respectively.

Property and Equipment
Property and equipment are carried at cost. Depreciation of property and equipment for financial reporting purposes is provided using the straight-line method over their respective estimated useful lives ranging from 5 to 10 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset account and any accumulated depreciation accounts are relieved, and any gain or loss is included in other income and expense on the income statement.

The carrying amount of all long-lived assets is evaluated periodically to determine if an adjustment to the depreciation period, or the non-depreciated balance is warranted. Based on its most recent analysis, the Company believes that no impairment of property and equipment exists.

Note 2 Summary of Significant Accounting Policies *(Continued)*

Intangible Assets
Intangible assets are amortized on a straight-line basis over their useful lives, estimated to be fifteen years. The Company performs an annual analysis as of December 31 for possible impairment of these intangible assets as well as when an event triggering impairment may have occurred. Intangibles primarily exist relating to the acquisition of certain franchise costs and restrictive covenants on October 31, 2013. There has been no impairment loss related to the intangibles as of December 31, 2017.

Cost of Sales
Cost of sales consists of primarily of direct costs such as materials and supplies related to its closet design, manufacturing, and installation sales.

Selling and Administrative Expenses
Selling and administrative expenses consist of compensations for all employees, advertising, insurance, rents, professional fees, technology services and supplies, travel and entertainment, and other administrative costs.

Advertising
Advertising costs are expensed as incurred. Logo and promotional items sold to the franchises are inventoried and expensed as sold to the franchises, Advertising expense totaled $133,592 and $98,862 for the years ended December 31, 2017 and 2016, respectively.

Warranties
The Company provides a warranty on all materials and workmanship for all sales of items delivered and installed for as long as the customer occupies the premises in which such products were installed, except for the following actions which will void the warranty:

1. The customer fails to pay all the agreed upon compensations upon completion of the project.
2. The customer subjects the project to use other than for it's reasonable and intended usage.
3. The project is removed and is not removed and reinstalled by the Company.

Based upon prior experience, the amount of warranty obligations is not material. Therefore, no provision for potential claims has been included in the financial statements.

Note 2 Summary of Significant Accounting Policies *(Continued)*

Sales Tax

The Company excludes from its sales all sales taxes assessed to its customers. Sales taxes assessed on sales are recorded as accrued liabilities on the balance sheet until remitted to the state agencies.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalent accounts held at one financial institution and accounts receivable.

Income Taxes

The Company has elected by unanimous consent of its shareholder to be taxed under the provisions of subchapter "S" of the Internal Revenue Code. In addition, the shareholder has elected New Jersey S corporation status. In lieu of corporation income taxes, the shareholder of an S corporation is taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. However, there is a provision for the required state income taxes.

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2013-2017. In evaluating the Company's tax provisions and accruals, interpretations and tax planning strategies are considered. The Company believes their tax positions are appropriate based on current facts and circumstances.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management Evaluation of Subsequent Events

Management has evaluated subsequent events through February 13, 2018, the date on which the financial statements were available to be issued.

Note 3 Franchise Operations

Franchise activity for the year ended December 31, 2017 is as follows:

Franchises opened	2
Franchises sold	0
Franchises in operation	37
Company-owned locations	2
Franchises closed	0
Franchises reacquired from franchisees	0
Franchises transferred to new franchisees	1

Note 4 Related Party Transactions

The Company's sole stockholder has advanced funds to the Company for working capital purposes. No note or repayment schedule exists and the advance bears no interest. The shareholder has waived his rights to payment prior to other obligations, therefore, the advances are classified as long term on the balance sheet.

The Company's sole stockholder owns a separate entity that, in 2014, acquired substantially all of the assets and operations of a manufacturing entity that contractually supplies all of the "More Space Place" franchises.

Note 5 Retirement Plans

The Company sponsors the Closet & Storage Concepts 401 (K) Plan. The Plan covers all employees of age 21 with one year of service and 1,000 hours of service or more. The profit sharing feature has a tiered contribution formula. Retirement expense for the years ended December 31, 2017 and 2016 were $14,007 and $5,506, respectively.

Note 6 Line of Credit

On September 5, 2014, the Company obtained a line of credit from TD Bank in the amount of $200,000. Interest is payable at varying dates based on the bank's prime rate plus 0.49% (total of 4.99% at December 31, 2017 and 4.24% at December 31, 2016). The line of credit is guaranteed by the Company's sole stockholder and is collateralized by assets of the Company. As of December 31, 2017 and 2016, $164,494 and $104,494 was outstanding on the line of credit.

Note 7 Term Debt Obligations

The following is a summary of long-term debt obligations at December 31:

	2017	2016
Note payable to TD Bank. The loan is payable over 119 months at $2,601 per month at 5.49% interest and matures in May 2022. The loan is personally guaranteed by the Company's sole stockholder and spouse, and is collateralized by their residence.	$ 119,938	$ 143,261
Note payable to GM Financial. The loan is payable over 72 months at $493 per month at 4.9% interest and matures February 2023. The loan is collateralized by a vehicle.	26,970	-
Note payable to Bank of the West. The loan is payable over 84 months at $1,456 per month at 5.34% interest and matures August 2024. The loan is collateralized by equipment. The loan can be voluntarily prepaid after the initial 12 payments.	97,849	-
In January 2008, the Company entered into a settlement agreement with the Estate of Alfred Rose, as a result of a motor vehicle accident, in the amount of $90,000, the loan is payable in monthly installments of $911, including interest at 4.0% for 120 months. The loan is personally guaranteed by the Company's sole stockholder and secured by his residence.	9,112	27,247
	253,869	170,508
Less: Current portion	51,166	33,422
Total	$ 202,703	$ 137,086

Following is a summary of scheduled principal payments for the long-term debt obligations as of December 31, 2017:

2018	$ 51,166
2019	44,462
2020	46,997
2021	49,698
2022 and thereafter	61,546
Total	$ 253,869

Note 8 Capitalized Lease Obligations

The Company has capital lease commitments related to equipment purchases. The future minimum payments under the capitalized lease obligations are due as follows:

2018	$ 34,415
2019	22,339
2020	4,797
Total minimum lease payments	61,551
Amount representing interest	6,520
Present value of minimum lease payments	55,031
Less current portion	29,895
Total long term portion	$ 25,136

The present value of minimum future obligations shown above is calculated based on the effective annual weighted average interest rate of 10.5%.

The capitalized cost of the equipment under capital lease is $129,453 and $124,474 at December 31, 2017 and 2016, respectively, and is included in the machinery and equipment and office equipment accounts on the balance sheet. Amortization of the capitalized cost of the equipment is charged to depreciation expense. The accumulated depreciation on this equipment was $63,929 and $44,049 at December 31, 2017 and 2016, respectively.

Note 9 Operating Lease Commitments

The Company's leasing operations consist principally of leasing office, retail, warehouse space and vehicles under operating leases that have various expiration dates. Rent expense for the years ended December 31, 2017 and 2016 were $123,334 and $117,132, respectively. The following is a schedule by years of approximate future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2017.

2018	$ 108,675

Note 10 Supplemental Cash Flow Disclosures

The following is a summary of the non-cash investing and financing activities for the years ended December 31, 2017 and 2016:

	2017	2016
Acquisition of property and equipment	$ 141,330	$ 35,301
Debt obligations incurred	133,105	-
Capital lease obligations incurred	4,979	31,041
Cash paid for property and equipment	$ 3,246	$ 4,260

Note 11 Acquisition of Franchise

On October 31, 2013, the Company purchased certain assets of More Space Place, Inc. for $ 450,000. Identifiable intangible assets recorded in connection with the October 31, 2013 More Space Place, Inc. acquisition shown net of accumulated amortization at December 31, 2017 consisted of the following:

	Gross	Amortization	Net
Qualified Franchise Agreements	$ 300,000	$ 85,000	$ 215,000
Non-Competition Agreement	$ 150,000	$ 48,333	$ 101,667
Total	$ 450,000	$ 133,333	$ 316,667

Amortization expense was $30,000 for each year ended December 31, 2017 and 2016. There was no impairment loss in 2017 or 2016. Future amortization is scheduled at approximately $30,000 per year through 2028.

SUPPLEMENTARY INFORMATION

Schedules of Revenues
For the Years Ended December 31, 2017 and 2016

	2017	2016
Store sales	$ 1,639,286	$ 1,642,174
Franchise fees	-	77,000
Royalties	1,069,358	967,000
Commissions	12,553	4,238
Total revenues	$ 2,721,197	$ 2,690,412

See independent auditors' report.

Schedules of Cost of Sales
For the Years Ended December 31, 2017 and 2016

	2017	2016
Beginning inventory	$ 33,962	$ 33,650
Purchases of materials and supplies	462,996	450,433
Ending inventory	(24,464)	(33,962)
Cost of materials and supplies	472,494	450,121
Other costs:		
Subcontractors	99	4,500
Commissions paid	28,205	27,953
Freight	7,165	6,174
Total cost of sales	$ 507,963	$ 488,748

See independent auditors' report.

Schedules of Selling and Administrative Expenses
For the Years Ended December 31, 2017 and 2016

	2017	2016
Advertising, promotion and marketing	$ 133,592	$ 98,862
Bank and credit card fees	36,650	39,729
Contributions	2,175	2,955
Dues	1,253	239
Employee benefits expense	34,158	40,904
Insurance expense	61,378	56,980
Meals and entertainment	5,597	6,624
Office expenses and supplies	23,614	31,571
Parking and tolls	8,665	7,253
Payroll	1,223,625	1,154,940
Payroll service	2,592	3,612
Payroll tax expense	112,690	95,686
Pension expense	14,007	5,506
Postage	585	1,787
Printing	309	165
Professional fees	81,082	80,415
Rent	123,334	117,132
Repairs and maintenance	18,655	14,383
Security	1,238	661
Taxes and licenses	4,403	2,293
Technology support	68,214	68,067
Telephone	20,455	19,661
Trash removal	4,287	2,700
Travel	72,244	67,745
Utilities	26,947	15,884
Vehicles expenses	52,579	54,655
Total selling and administrative expenses	$ 2,134,328	$ 1,990,409

See independent auditors' report.

CLOSETS UNLIMITED OF NEW JERSEY, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2016 and 2015
With Independent Auditors' Report

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TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT **1-2**

FINANCIAL STATEMENTS

Balance Sheets 3-4
Statements of Income and Accumulated Deficit 5
Statements of Cash Flows 6
Notes to the Financial Statements 7-14

SUPPLEMENTARY INFORMATION

Schedules of Revenues 15
Schedules of Cost of Sales 16
Schedules of Selling and Administrative Expenses 17

SULLIVAN STRATEGIC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Stockholder of
Closets Unlimited of New Jersey, Inc.
West Berlin, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Closets Unlimited of New Jersey, Inc. (a New Jersey S-Corporation), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

SULLIVAN STRATEGIC
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Closets Unlimited of New Jersey, Inc. as of December 31, 2016, and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 15, 16, and 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

John P. Sullivan, CPA/ABV, CVA, Managing Member
Sullivan Strategic LLC
Voorhees, New Jersey
March 10, 2017

Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 51,754	$ 17,704
Accounts receivable, net	75,592	86,611
Inventory	33,962	33,650
Prepaid expenses	-	1,324
Employee advances	400	1,000
Total current assets	161,708	140,289
Property and equipment:		
Machinery and equipment	309,526	309,526
Office equipment	157,306	122,005
Furniture and fixtures	29,990	29,990
Vehicles	123,927	123,927
Leasehold improvements	18,087	18,087
	638,836	603,535
Less: accumulated depreciation	(533,180)	(491,136)
Property and equipment, net	105,656	112,399
Other assets:		
Security deposits	10,330	10,330
Intangible assets, net	346,667	376,667
Total other assets	356,997	386,997
Total assets	$ 624,361	$ 639,685

See independent auditors' report and notes to the financial statements.

Balance Sheets
December 31, 2016 and 2015

	2016	2015
Liabilities and Stockholder's Deficit		
Current liabilities:		
Line of credit	$ 104,494	$ 99,494
Long term debt, current portion	33,422	31,395
Capital lease obligations, current portion	25,835	17,680
Accounts payable	81,827	131,789
Accrued expenses	45,332	25,457
Total current liabilities	290,910	305,815
Long term liabilities:		
Long term debt, net of current portion	137,086	177,911
Capital lease obligations, net of current portion	48,896	50,181
Stockholder advances	349,067	415,067
Total long term liabilities	535,049	643,159
Total liabilities	825,959	948,974
Stockholder's deficit		
Common stock - $1 par value; 1,000 shares authorized; 300 shares issued and outstanding	300	300
Additional paid in capital	844,977	844,977
(Accumulated deficit)	(1,046,875)	(1,154,566)
Total stockholder's deficit	(201,598)	(309,289)
Total liabilities and stockholder's deficit	$ 624,361	$ 639,685

See independent auditors' report and notes to the financial statements.

Statement of Income and (Accumulated Deficit)
For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenues	$ 2,690,412	$ 2,508,520
Cost of sales	488,748	501,115
Gross profit	2,201,664	2,007,405
Operating expenses:		
Selling and administrative	1,990,409	1,838,101
Depreciation	42,044	43,470
Amortization	30,000	30,000
Total operating expenses	2,062,453	1,911,571
Income from operations	139,211	95,834
Other expenses:		
Interest expense	30,020	40,788
Loss of sale of asset	-	2,121
Other expenses	-	16,445
Total other expenses	30,020	59,354
Income before provision for income tax	109,191	36,480
Provision for income tax	1,500	1,500
Net income	107,691	34,980
(Accumulated deficit) - January 1	(1,154,566)	(1,189,546)
(Accumulated deficit) - December 31	$ (1,046,875)	$ (1,154,566)

See independent auditors' report and notes to the financial statements.

Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Net income	$ 107,691	$ 34,980
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	72,044	73,470
Loss on sale of asset	-	2,121
(Increase) decrease in assets	12,631	50,517
Increase (decrease) in current liabilities	(30,087)	24,397
Net cash provided by operating activities	162,279	185,485
Cash flows from investing activities:		
Proceeds from sale of asset	-	7,132
Purchase of property and equipment	(4,260)	(4,085)
Net cash provided by (used in) investing activities	(4,260)	3,047
Cash flows from financing activities:		
Repayments of long term debt	(38,798)	(100,852)
Repayments on capital lease obligations	(24,171)	(16,454)
Net borrowings (repayment) on line of credit	5,000	(22,000)
Shareholder advances	(66,000)	(40,000)
Net cash used in financing activities	(123,969)	(179,306)
Net increase in cash	34,050	9,226
Cash and cash equivalents, January 1	17,704	8,478
Cash and cash equivalents, December 31	$ 51,754	$ 17,704

See independent auditors' report and notes to the financial statements.

Note 1 Organization and Nature of Activities

Closets Unlimited of New Jersey, Inc. (hereinafter the "Company"), trading as Closet & Storage Concepts and More Space Place, designs, manufactures and installs organizational and storage products used in residential and business settings. In addition, since 2000, the Company has sold and supported, with product and marketing, franchises in markets throughout the United States. On October 31, 2013, the Company purchased twenty-eight additional similar franchises from More Space Place Inc. (see Note 11). At the end of 2016, the Company serviced nine individually owned franchises trading as Closet & Storage Concepts and twenty-seven individually owned franchises trading as More Space Place.

The Company is headquartered in West Berlin, NJ and operates three Closet & Storage Concepts company-owned locations servicing New Jersey, Pennsylvania, Delaware and Maryland. Many of the products installed are for residential closet use; designs often include multiple levels of hanging poles for clothing, shelving for folded garments, shoe racks, tie racks, belt racks, drawers, baskets, as well as other space saving home furnishings such as Murphy wall beds. Other designs and products are developed to the customer's specific needs.

Note 2 Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in which revenues and gains are recognized when earned and expenses and losses are recognized when incurred. Initial franchise fee revenue from an individual franchise sale is recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Royalties are earned as the underlying sales are generated by franchisees.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Summary of Significant Accounting Policies *(Continued)*

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Trade Receivables

Trade receivables are shown net of an allowance for bad debts of $0 at December 31, 2016 and 2015. The Company's policy is to extend credit to customers that management has determined to be credit-worthy. The Company considered all remaining accounts receivable at December 31, 2016 and 2015 to be fully collectible.

Inventories

Inventory is comprised primarily of raw materials (e.g. laminate, accessories, closet hardware) which have not been charged to specific jobs as well as logo and promotional items sold to the franchises. Due to the custom nature of the Company's business model, there are no finished goods inventory and work-in-progress inventory is minimal. Inventories are stated at the lower of cost or market value. Cost is determined using the first-in, first-out (FIFO) method. Market is determined by the most recent selling price. The raw materials inventory at December 31, 2016 and 2015 was $29,201 and $26,118, respectively. The inventory of logo and promotional items at December 31, 2015 and 2015 was $4,761 and $7,532, respectively.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment for financial reporting purposes is provided using the straight-line method over their respective estimated useful lives ranging from 5 to 10 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset account and any accumulated depreciation accounts are relieved, and any gain or loss is included in other income and expense on the income statement.

The carrying amount of all long-lived assets is evaluated periodically to determine if an adjustment to the depreciation period, or the non-depreciated balance is warranted. Based on its most recent analysis, the Company believes that no impairment of property and equipment exists.

Note 2 Summary of Significant Accounting Policies *(Continued)*

Intangible Assets

Intangible assets are amortized on a straight-line basis over their useful lives, estimated to be fifteen years. The Company performs an annual analysis as of December 31 for possible impairment of these intangible assets as well as when an event triggering impairment may have occurred. Intangibles primarily exist relating to the acquisition of certain franchise costs and restrictive covenants on October 31, 2013. There has been no impairment loss related to the intangibles as of December 31, 2016.

Cost of Sales

Cost of sales consists of primarily of direct costs such as materials and supplies related to its closet design, manufacturing, and installation sales.

Selling and Administrative Expenses

Selling and administrative expenses consist of compensations for all employees, advertising, insurance, rents, professional fees, technology services and supplies, travel and entertainment, and other administrative costs.

Advertising

Advertising costs are expensed as incurred. Logo and promotional items sold to the franchises are inventoried and expensed as sold to the franchises, Advertising expense totaled $98,862 and $139,596 for the years ended December 31, 2016 and 2015, respectively.

Warranties

The Company provides a warranty on all materials and workmanship for all sales of items delivered and installed for as long as the customer occupies the premises in which such products were installed; except for the following actions which will void the warranty:

1. The customer fails to pay all the agreed upon compensations upon completion of the project.
2. The customer subjects the project to use other than for it's reasonable and intended usage.
3. The project is removed and is not removed and reinstalled by the Company.

Based upon prior experience, the amount of warranty obligations is not material. Therefore, no provision for potential claims has been included in the financial statements.

Note 2 Summary of Significant Accounting Policies *(Continued)*

Sales Tax

The Company excludes from its sales all sales taxes assessed to its customers. Sales taxes assessed on sales are recorded as accrued liabilities on the balance sheet until remitted to the state agencies.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalent accounts held at one financial institution and accounts receivable.

Income Taxes

The Company has elected by unanimous consent of its shareholder to be taxed under the provisions of subchapter "S" of the Internal Revenue Code. In addition, the shareholder has elected New Jersey S corporation status. In lieu of corporation income taxes, the shareholder of an S corporation is taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. However, there is a provision for the required state income taxes.

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2012-2016. In evaluating the Company's tax provisions and accruals, interpretations and tax planning strategies are considered. The Company believes their tax positions are appropriate based on current facts and circumstances.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management Evaluation of Subsequent Events

Management has evaluated subsequent events through March 10, 2017, the date on which the financial statements were available to be issued.

Note 3 Franchise Operations

Franchise activity for the year ended December 31, 2016 is as follows:

Franchises opened	2
Franchises sold	2
Franchises in operation	36
Company-owned locations	3
Franchises closed	0
Franchises purchased	0

Note 4 Related Party Transactions

The Company's sole stockholder has advanced funds to the Company for working capital purposes. No note or repayment schedule exists and the advance bears no interest. The shareholder has waived his rights to payment prior to other obligations, therefore, the advances are classified as long term on the balance sheet.

The Company's sole stockholder owns a separate entity that, in 2014, acquired substantially all of the assets and operations of a manufacturing entity that contractually supplies all of the "More Space Place" franchises.

Note 5 Retirement Plans

The Company sponsors the Closet & Storage Concepts 401 (K) Plan. The Plan covers all employees of age 21 with one year of service and 1,000 hours of service or more. The profit sharing feature has a tiered contribution formula. Retirement expense for the years ended December 31, 2016 and 2015 were $5,506 and $5,239, respectively.

Note 6 Line of Credit

On September 5, 2014, the Company obtained a line of credit from TD Bank in the amount of $200,000. Interest is payable at varying dates based on the bank's prime rate plus 0.49% (total of 4.24% at December 31, 2016 and 3.99% at December 31, 2015). The line of credit is guaranteed by the Company's sole stockholder and is collateralized by assets of the Company. As of December 31, 2016 and 2015, $104,494 and $99,494 was outstanding on the line of credit.

Note 7 Term Debt Obligations

The following is a summary of long-term debt obligations at December 31:

	2016	2015
Note payable to TD Bank. The loan is payable over 119 months at $2,601 per month at 5.75% interest. The loan is personally guaranteed by the Company's sole stockholder and spouse, and is collateralized by their residence.	$ 143,261	$ 165,386
In January 2008, the Company entered into a settlement agreement with the Estate of Alfred Rose, as a result of a motor vehicle accident, in the amount of $90,000, the loan is payable in monthly installments of $911, including interest at 4.0% for 120 months. The loan is personally guaranteed by the Company's sole stockholder and collateralized by his residence.	27,247	43,920
	170,508	209,306
Less: Current portion	33,422	31,395
Total	$ 137,086	$ 177,911

Following is a summary of scheduled principal payments for the long-term debt obligations as of December 31, 2016:

2017	$ 33,422
2018	35,231
2019	33,064
2020	27,843
2021 and thereafter	40,948
Total	$ 170,508

Note 8 Capitalized Lease Obligations

The Company has capital lease commitments related to equipment purchases. The future minimum payments under the capitalized lease obligations are due as follows:

2017	$ 32,470
2018	32,470
2019	20,394
2020	3,338
Total minimum lease payments	88,672
Amount representing interest	13,941
Present value of minimum lease payments	74,731
Less current portion	25,835
Total long term portion	$ 48,896

The present value of minimum future obligations shown above is calculated based on the effective annual weighted average interest rate of 10.2%.

The capitalized cost of the equipment under capital lease is $124,474 and $92,109 at December 31, 2016 and 2015, respectively, and is included in the machinery and equipment and office equipment accounts on the balance sheet. Amortization of the capitalized cost of the equipment is charged to depreciation expense. The accumulated depreciation on this equipment was $44,049 and $26,315 at December 31, 2016 and 2015, respectively.

Note 9 Operating Lease Commitments

The Company's leasing operations consist principally of leasing office, retail, warehouse space and vehicles under operating leases that have various expiration dates. Rent expense for the years ended December 31, 2016 and 2015 were $117,132 and $119,217, respectively. The following is a schedule by years of approximate future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2016.

2017	$ 94,500
2018	70,875
Total	$ 165,375

Note 10 Supplemental Cash Flow Disclosures

The following is a summary of the non-cash investing and financing activities for the years ended December 31, 2016 and 2015:

	2016	2015
Acquisition of property and equipment	$ 35,301	$ 4,085
Capital lease obligation incurred	31,041	-
Cash paid for property and equipment	$ 4,260	$ 4,085

Note 11 Acquisition of Franchise

On October 31, 2013, the Company purchased certain assets of More Space Place, Inc. for $ 450,000. The purchase price was paid by a $250,000 cash down payment and a $200,000 promissory note payable to the seller. In addition to the purchase price, the Company was to pay an additional "earn out" to the seller calculated as 100% of any royalty amounts, in connection with the qualified franchise agreements, exceeding $290,000 in the first year after the closing and 50% of any royalty amounts exceeding $290,000 in the second year after the closing.

The promissory note was initially payable over a one-year term, in twelve monthly payments of interest only, with a balloon payment due on the one-year anniversary of the closing. Due to certain circumstances, including closures of 5 of the 28 franchises acquired, the Company was able to renegotiate terms. Under the revised arrangement, all amounts calculated under the earn out provision were applied to the balance of the promissory note.

Identifiable intangible assets recorded in connection with the October 31, 2013 More Space Place, Inc. acquisition shown net of accumulated amortization at December 31, 2016 consisted of the following:

	Gross	Amortization	Net
Qualified Franchise Agreements	$ 300,000	$ 65,000	$ 235,000
Non-Competition Agreement	$ 150,000	$ 38,333	$ 111,667
Total	$ 450,000	$ 103,333	$ 346,667

Amortization expense was $30,000 for each year ended December 31, 2016 and 2015. There was no impairment loss in 2016 or 2015. Future amortization is scheduled at approximately $30,000 per year through 2028.

SUPPLEMENTARY INFORMATION

Schedules of Revenues
For the Years Ended December 31, 2016 and 2015

	2016	2015
Store sales	$ 1,642,174	$ 1,668,720
Franchise fees	77,000	-
Royalties	967,000	819,647
Commissions	4,238	20,153
Total revenues	$ 2,690,412	$ 2,508,520

See independent auditors' report.

Schedules of Cost of Sales
For the Years Ended December 31, 2016 and 2015

	2016	2015
Beginning inventory	$ 33,650	$ 48,357
Purchases of materials and supplies	450,433	428,178
Ending inventory	(33,962)	(33,650)
Cost of materials and supplies	450,121	442,885
Other costs:		
Subcontractors	4,500	6,525
Commissions paid	27,953	47,673
Freight	6,174	4,032
Total cost of sales	$ 488,748	$ 501,115

See independent auditors' report.

Schedules of Selling and Administrative Expenses
For the Years Ended December 31, 2016 and 2015

	2016	2015
Advertising, promotion and marketing	$ 98,862	$ 139,596
Bank and credit card fees	39,729	39,308
Contributions	2,955	3,950
Dues	239	1,209
Employee benefits expense	40,904	33,624
Insurance expense	56,980	48,986
Meals and entertainment	6,624	3,835
Office expenses and supplies	31,571	27,073
Parking and tolls	7,253	5,695
Payroll	1,154,940	1,000,010
Payroll service	3,612	2,817
Payroll tax expense	95,686	82,998
Pension expense	5,506	5,239
Postage	1,787	4,461
Printing	165	804
Professional fees	80,415	90,608
Rent	117,132	119,217
Repairs and maintenance	14,383	17,511
Security	661	858
Taxes and licenses	2,293	5,230
Technology support	68,067	52,246
Telephone	19,661	24,455
Trash removal	2,700	2,700
Travel	67,745	57,352
Utilities	15,884	19,006
Vehicles expenses	54,655	49,313
Total selling and administrative expenses	$ 1,990,409	$ 1,838,101

See independent auditors' report.

Exhibit G

STATE ADDENDUM

Closets Unlimited of New Jersey, Inc.

STATE ADDENDUM

CALIFORNIA APPENDIX

1. Item 5 of the Disclosure Document is amended to provide that all of the initial fees (payable under the Franchise Agreement) shall be deferred until franchisor has satisfied all of the pre-opening obligations to franchisee, and franchisee has commenced doing business. The California Department of Business oversight has imposed this deferral requirement due to the franchisor's financial condition.

2. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.

3. 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.).

4. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

5. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

6. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

7. The Franchise Agreement requires that any litigation be conducted in the then-current State and County where our corporate headquarters is located. 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.

8. The Franchise Agreement requires application of the laws of New Jersey. This provision may not be enforceable under California law.

9. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

10. 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 DISCLOSURE DOCUMENT.

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

12. OUR WEBSITES, www.closetandstorageconcepts.com and www.morespaceplace.com HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

13. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. Any restrictions on pricing may not be enforceable under California law.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

CLOSETS UNLIMITED OF NEW JERSEY, INC.

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

By:_____
Name:_____
Title:_____

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ___ day of _____, 20__, and effectively amends and revises said Disclosure Document and Franchise Agreements as follows:

1. Item 13 of the Disclosure Document and the appropriate section of the Franchise Agreements are amended by the addition of the following language to the original language that appears therein:

> "In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchise from any loss, costs or expenses arising out of any claim, suit or demand regarding such use."

2. Item 17 of the Disclosure Document, and the appropriate sections of the Franchise Agreements are amended by the addition of the following language to the original language that appears therein:

> "With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes 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 and that consent to the transfer of the franchise will not be unreasonably withheld."

3. Item 17 of the Disclosure Document, and the appropriate sections of the Franchise Agreements are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

> "Minn. Stat. Sec. 80C.21 and 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 agreements can abrogate or reduce any of the 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."

4. Item 17 of the Disclosure Document and the appropriate sections of the Franchise Agreements are amended by the addition of the following language to the original language that appears therein:

> "Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

5. Any reference to liquidated damages in the Franchise Agreements is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Any reference to waiver of a jury trial in the Franchise Agreements is hereby deleted in accordance with Minn. Rule 2860.4400J.

7. Any offending sections of the Franchise Agreements regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Item 6, Insufficient Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of $30 on a NSF check. This applies to everyone in Minnesota who accepts checks except banks.

9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. The appropriate sections of the Franchise Agreements are hereby amended accordingly.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

_____
Witness

FRANCHISOR

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

By:_____
Name:_____
Title:_____

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMTION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THE FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FOR IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement;

fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from 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 in 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, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled **"Requirements for franchisee to renew or extend,"** and Item 17(m), entitled **"Conditions for franchisor approval or transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled **"Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20___.

ATTEST

CLOSETS UNLIMITED OF NEW JERSEY, INC.

_____
Witness

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____
Witness

By:_____
Name:_____
Title:_____

RECEIPT
(KEEP THIS COPY FOR YOUR RECORDS)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Closets Unlimited of New Jersey, Inc. ("Franchisor") offers you a franchise, Franchisor must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale. New York and Iowa require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Franchisor does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate State agency Identified in Exhibit A.

The Franchisor is Closets Unlimited of New Jersey, Inc., 436 Commerce Lane, Suite D, West Berlin, NJ 08091, (856) 627-5700.

Issuance Date: April 1, 2018, *as amended* May 8, 2018 (Effective dates of this Disclosure Document in states requiring registration can be found on the State Effective Date page).

The name, principal business address and telephone number of the franchise sellers offering the franchise are:

- ☐ Robert Lewis, 436 Commerce Lane, Suite D, West Berlin, NJ 08091, (856) 627-5700
- ☐ _____ 436 Commerce Lane, Suite D, West Berlin, NJ 08091, (856) 627-5700
- ☐ _____

Franchisor authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated April 1, 2018, *as amended* May 8, 2018 that included the following Exhibits:

Exhibit A -	List of State Administrators/Agents for Service of Process
Exhibit B -	More Space Place Franchise Agreement
Exhibit C -	Closet & Storage Concepts Franchise Agreement
Exhibit D-1 -	Table of Contents – More Space Place Operations Manual
Exhibit D-2 -	Table of Contents – Closet & Storage Concepts Operations Manual
Exhibit E-1 -	List of More Space Place Franchisees
Exhibit E-2 -	List of Closet & Storage Concepts Franchisees
Exhibit F -	Financial Statements
Exhibit G-	State Addendum

Dated: _____

_____
Prospective Franchisee

_____
(Print Name)

Please execute and return this document immediately upon receipt via the method prescribed by the Franchisor.

RECEIPT
(RETURN THIS COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Closets Unlimited of New Jersey, Inc. ("Franchisor") offers you a franchise, Franchisor must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale. New York and Iowa require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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Exhibit E-2 -	List of Closet & Storage Concepts Franchisees
Exhibit F -	Financial Statements
Exhibit G-	State Addendum

Dated: _____

_____
Prospective Franchisee

_____
(Print Name)

Please execute and return this document immediately upon receipt via the method prescribed by the Franchisor.