FRANCHISE DISCLOSURE DOCUMENT

ZIPS FRANCHISING, LLC
A Maryland Limited Liability Company
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If you are awarded a ZIPS Dry Cleaners franchise, you will operate a dry cleaning and laundry services business under the name "ZIPS®" ("ZIPS Dry Cleaners Business").

The total investment necessary to begin operation of a franchised ZIPS Dry Cleaners Business ranges from $745,700 to $1,300,000. This range includes a $30,000 franchise fee and a $7,500 software license fee that must be paid to the franchisor or its affiliate(s). If you are a developer, you will pay a development fee of $10,000 for each ZIPS Dry Cleaners Business to be developed.

This disclosure document summarizes certain provisions of the Development Agreement and 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 payments to, us or our affiliates in connection with the proposed franchise sale, or sooner if required by applicable state law. **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 the ZIPS Franchising, LLC Sales Department at 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770 or (301) 313-0389.

The terms of the Development Agreement (if applicable) and Franchise Agreement ("Agreements") will govern your franchise relationship. Don't rely on the disclosure document alone to understand the Agreements. Read all of the Agreements carefully. Show the Agreements 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 "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC by calling 1-877-FTC-HELP or writing the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20850. 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 law on franchising in your state. Ask your state agencies about them.

Issuance Date: March 23, 2020

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit M.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit I includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only ZIPS Dry Cleaner in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be ZIPS franchisee?	Item 20 or Exhibit M list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Maryland, where the franchisor's principal place of business is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Maryland than in your own state.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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A List of State Administrators
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C Development Agreement
D Franchise Agreement
E Confidentiality and Noncompetition Agreements
F Compliance Questionnaire
G ZIPSsoft Software License Agreement
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I Financial Statements and Guarantee by Value Drycleaners of America, LLC
J Tables of Contents for Manuals
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L General Release
M List of Franchised Businesses, Developers, and Former Franchisees

RECEIPTS (2 copies)

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, "we," "us" or "ZIPS" means ZIPS Franchising, LLC, the franchisor. "You" means the person or legal entity who buys the franchise. If you are a corporation or other entity, certain provisions of this disclosure document also apply to your owners and will be noted.

ZIPS is a Maryland limited liability company formed on August 30, 2004 and is a wholly-owned subsidiary of Value Drycleaners of America, LLC ("VDA"). Our principal place of business is 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770. We do business under the name "ZIPS Dry Cleaners®" and "ZIPS®." Our agents for service of process in various states are listed in Exhibit B.

We currently do not operate any ZIPS Dry Cleaners Businesses. We began offering franchises for ZIPS Dry Cleaners Business in 2006 and, as of December 31, 2019, there were 65 franchised ZIPS Dry Cleaners Businesses. Two ZIPS Dry Cleaners Businesses are owned by our affiliates, one of which is located in Elkridge, Maryland and the other is located in Alexandria, Virginia. We have not offered franchises in any other line of business, and we do not engage in any business not described in this Item 1.

Parent, Predecessors and Affiliates.

VDA, our direct parent, is a Maryland limited liability company. VDA's principal place of business is the same as ours. VDA's parents are JPBVDA, Inc. and ZIPS Founders, LLC. JPBVDA, Inc. is a Delaware with its principal place of business at 8800 Columbia 100 Parkway, Suite 400, Columbia Maryland 21045. ZIPS Founders LLC ("ZIPS Founders") is a Maryland limited liability company with its principal place of business at 626C Admiral Drive #533, Annapolis, MD 21401.

VDA owns the "ZIPS Dry Cleaners®" name and trademarks. The members of ZIPS Founders ("ZIPS Founders Members") began operating discount dry cleaners businesses in September 1996 under another trademark. In October 2002, the ZIPS Founders Members converted their existing dry cleaners businesses to ZIPS Dry Cleaners Businesses.

Our affiliate, ZIPSsoft, LLC ("ZIPSsoft") is a wholly-owned subsidiary of VDA. ZIPSsoft licenses proprietary business management software ("ZIPSsoft Software") to our franchisees. ZIPSsoft has the same principal business address as ours.

Our affiliate, ZIPScredit, LLC ("ZIPScredit") is a wholly-owned subsidiary of VDA. ZIPScredit owns and operates the ZIPS Dry Cleaners Business located at 6520 Old Waterloo Road, Elkridge, Maryland.

Our affiliate, ZIPS141, LLC ("ZIPS141") is a wholly-owned subsidiary of VDA. ZIPS141 owns and operates the ZIPS Dry Cleaners Business located at 8796 Sacramento Dr., Alexandria, Virginia.

We have no predecessors. Our parents and affiliates do not currently offer and have not previously offered franchises in this or any other line of business. Except as described in this disclosure document, our parents and affiliates conduct no other business. We have no other parents or affiliates that must be disclosed.

ZIPS Dry Cleaners Businesses.

In this disclosure document, we offer the opportunity to become a franchisee to develop and operate ZIPS Dry Cleaners Businesses. ZIPS Dry Cleaners Businesses offer dry cleaning and laundry services to customers according to a unique and distinctive system ("System"), whose distinguishing characteristics include: an on-premises physical plant, standards and specifications for equipment and equipment layouts, competitive flat pricing structure, same-day services, open floor plan, a highly efficient, integrated production process for dry cleaning and laundry services, special layout, color schemes and designs, and the accumulated experience reflected in our training programs, operating procedures and standards and specifications. You must operate your franchised ZIPS Dry Cleaners Business in accordance with our System under the names "ZIPS Dry Cleaners®" and "ZIPS®" and certain other trademarks, service marks, names, logos, insignias, slogans, emblems, symbols and designs that we designate (collectively, "Marks"). ZIPS Dry Cleaners Businesses are typically located in an in-line mall or freestanding building on a major thoroughfare. Generally, a ZIPS Dry Cleaners Business occupies 2,705 to 3,250 square feet of space.

We have described our mandatory and recommended standards, specifications and operating procedures in our confidential ZIPS Operations Manual and other manuals ("Manuals"). We will provide access to electronic versions of our Manuals for various periods of time during the term of your franchise depending on the subject matter of the applicable Manual. We have the right to change the Manuals and the elements of the System.

You can buy a franchise to develop and operate one ZIPS Dry Cleaners Business ("Franchised Business"). If you and the area in which you are interested meet certain qualifications, you can buy the rights to develop multiple ZIPS Dry Cleaners Businesses under a Development Agreement ("Development Agreement") (Exhibit C) in accordance with an agreed upon Development Schedule. Before you begin the site selection process for a Franchised Business, you and ZIPS will enter into a Franchise Agreement (Exhibit D). You should not acquire any interest in a site for the Franchised Business until you have been approved as a franchisee and we have accepted the site in writing. During the franchise application process, we may require you to sign a confidentiality and noncompetition agreement (Exhibit E-1). For each future Franchised Business that Developer develops, Developer may be required to sign a Franchise Agreement different from the form of Franchise Agreement included in this Franchise Disclosure Document.

When you sign the Franchise Agreement, you and our affiliate, ZIPSsoft, will also sign the ZIPSsoft Software License Agreement (Exhibit G). This Agreement will grant you the right to use the proprietary business management software program developed by ZIPSsoft ("ZIPSsoft Software"). You will also sign the ZIPSsoft Software Service Agreement (Exhibit H). This Agreement permits ZIPSsoft to perform the maintenance and support services.

Your receipt of this disclosure document does not mean that you will be approved as a franchisee or that you may develop or open a Franchised Business. Before you may develop and open a Franchised Business, among other things, we must approve you as a franchisee and accept the site for your proposed Franchised Business in writing; you and ZIPS must sign the agreements; and you (or your Operating Principal (as defined in Item 15)) and your Store Manager(s) (as defined in Item 15) must attend and successfully complete training programs (as described in Item 11).

Market and Competition.

The dry cleaning and laundry services offered by ZIPS Dry Cleaners Businesses are marketed to the general public. Except in small towns and rural areas, the market for dry cleaning and laundry services is well developed and highly competitive. Due to intense competition in all major urban areas, dry cleaning and laundry services are a consumer choice market. We are one of many franchisors and businesses in this industry and some of our competitors also offer a flat pricing structure. You will compete with small independent operators, national and regional chains and other franchised operations. Some of these chains have developed franchise programs and are in the early stages of expansion. Some of our competitors have longer operating histories than ours. Fluctuations in the habits of the general public, local and national economic conditions and population density affect this industry and are generally difficult to predict. The major barriers to entry into this business are the costs of machinery and equipment that meet Environmental Protection Agency standards and competition for advertising.

Although we carefully evaluate persons who wish to become our franchisees, no screening process that we implement can conclusively determine whether you will succeed as a ZIPS Dry Cleaners Business operator. Similarly, completion of our training programs does not provide any assurance of success. You must rely on your own assessment of your suitability (in terms of energy, business skills, desire, temperament, people skills and financial capability, among other things) and your own advisors in deciding whether to become a ZIPS Dry Cleaners Business operator.

Industry-Specific Laws and Regulations.

The U.S. Environmental Protection Agency and most states and localities have pollution control standards and requirements for dry cleaning and laundry services businesses. You should investigate the local, state and federal environmental standards and requirements that apply in the geographic area where you are interested in locating a Franchised Business and you should consider both their effect and cost of compliance. Additionally, you must comply with all applicable local, state and federal laws and regulations including those relating to the operation of a ZIPS Dry Cleaners Business, such as: **(1)** establish general standards, specifications and requirements for the construction, design and maintenance of the premises (such as the Americans with Disabilities Act); **(2)** regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for the storage, handling and disposal of commercial cleaning products, solvents and other substances or solutions, restrictions on smoking, and availability of and requirements for public accommodations, including restrooms; **(3)** set standards pertaining to employee health and safety; **(4)** set standards and requirements for fire safety and general emergency preparedness; and **(5)** regulate employment matters such as discrimination and sexual harassment. You should consult with your attorney concerning these and other laws and ordinances that may affect the operations of the Franchised Business. You must also obtain all real estate permits and licenses and operational licenses.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer: Andrew G. Ritger, Jr.

Mr. Ritger has been our Chief Executive Officer since December 2017. From January 1996 to November 2017, he was the Senior Vice President for Sonic Corporation located in Oklahoma City, Oklahoma. Since December 2017, Mr. Ritger has been a Director of VDA.

Franchise Sales Manager: Sarah Moudry

Ms. Moudry has been our Franchise Sales Manager since October 2017. From June 2016 to August 2017, she was the Franchise Development Director for Lift Brands in Chanhassen, Minnesota. Ms. Moudry was the Franchise Development Director for Self Esteem Brands in Woodbury, Minnesota from March 2011 to June 2016.

Director of Store Operations: Rachel Allsbrooks

Ms. Allsbrooks has been our Director of Store Operations since February 2014. From July 2010 to February 2014 she was our Director of Training.

Vice President of Marketing: Christina Bagapor-O'Harrow

Ms. Bagapor-O'Harrow has been our Vice President of Marketing since November 2019. From December 1999 to June 2019, she was the Managing Director of The AD Store in Washington, DC.

Director of Finance and Administration: Scott Ashley

Mr. Ashley has been our Director of Finance and Administration since November 2015. From October 2014 to November 2015 he was our Manager of Accounting. Mr. Ashley was employed by Watkins Meegan, LLC as the Interim Controller at Norbeck Country Club in Olney, MD from May 2014 to October 2014. From December 2013 to April 2014, he was a Supervisor at Watkins Meegan, LLC in Annapolis, MD.

Director of Store Profitability: Kathleen Razmus

Ms. Razmus has been our Director of Store Profitability since February 2019. From February 2017 to February 2019 she was our Plant Performance and Quality Specialist. Ms. Razmus was employed by Glyndon Lord Baltimore Cleaners as the General Manager in Glyndon, MD from January 2012 to February 2017.

Store Profitability Manager: Jaici Downs

Ms. Downs has been our Store Profitability Manager since March 2019. From June 2015 to March 2019, she was the General Manager for Wrinkle Free, LLC, the operating entity of five ZIPS Dry Cleaners locations, in Annapolis, MD.

Unless otherwise indicated, the location of the employer is Greenbelt, Maryland.

ITEM 3

LITIGATION

Inexpensive Dry Cleaners, LLC, Maurice Jennings, and Tracy Jennings v. ZIPS Franchising, LLC, No. CAL12 – 17832 (Circuit Court for Prince George's County Maryland), ZIPS was the defendant in this action which commenced on June 15, 2012. The plaintiffs are the franchisee and its owners (collectively, "Jennings") for the ZIPS Dry Cleaners located in Norfolk, Virginia. The complaint alleged that ZIPS fraudulently induced the Jennings to enter into a franchise agreement with ZIPS, made negligent misrepresentations to the Jennings, breached the franchise agreement, committed professional malpractice, breached the covenant of good faith and fair dealing and violated the Maryland Franchise Act. The Jennings sought compensatory damages and/or

restitution in the amount of $288,000, punitive damages of $200,000 and rescission of the franchise agreement, plus attorneys' fees and costs. The Jennings litigation was settled on July 12, 2013. The terms of the settlement provided for the following: (i) the parties acknowledged that the franchise agreement is in full force and effect; (ii) Jennings withdrew its notice of rescission and ratified the franchise agreement and agreed to strictly adhere to the requirements set forth in the franchise agreement; (iii) ZIPS agreed to pay Jennings $40,000 and permitted Jennings to make certain renovations to the franchised business and (iv) each party agreed to pay their own costs and expenses including attorneys' fees. The Jennings litigation has now been dismissed.

Except for the one matter noted above, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Development Fee

If you enter into a Development Agreement, at the time you sign that Agreement, you must pay to ZIPS a Development Fee in the amount of $10,000 for each Franchised Business that you agree to develop. The Development Fee is not credited against any other fees due to ZIPS, is not refundable and is fully earned when paid. The highest and lowest development fees actually paid to ZIPS during our last complete fiscal year was $10,000 and $8,000, respectively, based on the fee per Franchised Business basis.

Initial Franchise Fee

The Initial Franchise Fee for your ZIPS Dry Cleaners Business is $30,000.

If you sign a Development Agreement, the Initial Franchise Fee for each ZIPS Dry Cleaners Business that you develop under the Development Agreement will be $30,000 for each ZIPS Dry Cleaners Business. The Initial Franchise Fee must be paid to ZIPS no later than the date you sign the Franchise Agreement.

You must pay the Initial Franchise Fee when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us when paid, it is not credited against any other fees due to ZIPS, and is not refundable. The highest and lowest initial franchise fees actually paid to ZIPS during our last complete fiscal year was $30,000 and $10,000, respectively.

We participate in the International Franchise Association VetFran Program, which provides special financial incentives to qualified veterans. If you are a qualified veteran (as specified by us), we will reduce the Initial Franchise Fee by 20% for each Franchised Business that you open.

ZIPSsoft Software Initial License Fee

You must pay to ZIPSsoft the initial software license fee in the amount of $7,500 ("Software License Fee") for the ZIPSsoft Software, which is payable when you pay the remainder

of the Initial Franchise Fee. The Software License Fee is fully earned when paid, is nonrefundable, and is not credited against any other fees. During our last complete fiscal year, the highest and lowest Software License Fee paid was $7,500.

Architectural Plans and Services

We will provide you a generic layout for a ZIPS Dry Cleaners Business. Your architect must develop site specific plans for the Franchised Location. Before you commence construction, we must review and accept the final plans. If you do not use an architect acceptable to us, you must reimburse us for all costs and expenses we incur (including an hourly fee for any employee of ours) to assist you with developing the Plans. This amount will be due upon your receipt of an invoice from us. We cannot estimate the cost of these services.

* * * *

These fees are uniform for all franchisees. We do not offer any financing for any fees or amounts described in this Item 5.

ITEM 6

OTHER FEES

TYPE OF FEE[(1)]	AMOUNT	DUE DATE	REMARKS[(2)]
Royalty	6% of Royalty Net Sales	Due by 8:00 AM EST on the Tuesday after the end of each fiscal week (as determined by us)	See Note 3 for the definition of Royalty Net Sales.
Total Marketing Obligation[(4)]	5% of Royalty Net Sales divided among the National Marketing Fund, any Regional Marketing Fund (or, any Regional Co-op) and Local Store Marketing	See below	Your total marketing obligation and our marketing funds are further described in Item 11.
National Marketing Fund Contribution	Up to 4% of Royalty Net Sales; Currently, 1.5% of Royalty Net Sales	Same as royalty fees	

TYPE OF FEE[(1)]	AMOUNT	DUE DATE	REMARKS[(2)]
Regional Marketing Fund Contribution	Amount we determine (not to exceed 3% of Royalty Net Sales); Currently, 2.5% of Royalty net Sales	Same as royalty fees	See Note 5 for additional details.
Regional Co-op Fee	Amount determined by the Co-op	As determined by the Co-op	In lieu of a Regional Marketing Fund, a Regional Co-op may be established. The amount of and the payment terms for the Regional Co-op Fee will be determined by the Co-op.
Local Store Marketing[(6)]	Currently, 1% of Royalty Net Sales	As incurred	The amounts due for Local Store Marketing are payable to appropriate vendors at their specified rate.
Customer Satisfaction and Retention Programs	If implemented, all costs associated with the 800 number, secret shopper programs, loyalty and/or rewards programs and other customer satisfaction and retention programs as ZIPS may require	As incurred	
Additional Training	Rates in the Manuals; currently, $500 per day, plus our expenses	Within 30 days of receipt of invoice	We may require that you (or, if applicable, the Operating Principal), any Store Manager, any 10% Owner, and/or any employee whom you expect will become a Store Manager take and successfully complete any additional training courses.
Audit and Inspection Costs	Reasonable cost of the audit or inspection including, fees for attorneys and independent accountants, and the travel expenses, room, board and compensation of our employees or designees	Within 10 days after receipt of the audit or inspection report	Payable if an inspection or audit is made necessary by your failure to furnish reports or supporting records, or to furnish such reports, records or information on a timely basis, or if an understatement of Royalty Net Sales for the period of any audit is determined by any audit or inspection to be greater than 2%.

TYPE OF FEE[(1)]	AMOUNT	DUE DATE	REMARKS[(2)]
Collection Costs and Expenses	Our costs and expenses	On demand, if required	These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees (including attorneys' fees for in-house counsel employed by ZIPS or its affiliates and any attorneys' fees incurred by us in bankruptcy proceedings), costs incurred in creating, reconciling, or replicating reports demonstrating Royalty Net Sales of the Franchised Business, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.
Costs and Attorneys' Fees	Our costs and expenses	As incurred	If we prevail in mediation or litigation regarding enforcement of the terms of any agreement, you must pay our attorneys' fees and costs.
Indemnification	The losses and expenses incurred by ZIPS and its affiliates	As incurred	To the extent permitted by applicable law, you must indemnify and hold ZIPS and its affiliates harmless in all actions arising out of or resulting from the development or operation of your Franchised Business.
Interest	Interest on the amount owed from the date due until paid	When any payment is overdue	The interest rate is the maximum rate permitted for indebtedness of this nature in the state in which the Franchised Business is located not to exceed 1.5% per month (or a portion of a month). See Note 3 for additional information regarding the payment of interest charges.
Late Fee	$500 for each delinquent payment or report	On demand	You must pay the late fee if any payment is paid or if any report is submitted after the Due Date or if any report is submitted in the incorrect format.

TYPE OF FEE[(1)]	AMOUNT	DUE DATE	REMARKS[(2)]
New Product and Supplier Testing	Reasonable cost of the inspection and the actual cost of the test	As incurred	If you propose to purchase any materials (that you are not required to purchase from ZIPS, an affiliate of ZIPS or a designated supplier) from a supplier that ZIPS has not previously approved, you must submit to ZIPS a written request for such approval, or request the supplier to do so itself. ZIPS has the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that such information, specifications and samples as ZIPS reasonably designates be delivered to ZIPS and/or to an independent, certified laboratory designated by ZIPS for testing prior to granting or refusing to grant approval.
Reimbursement of Insurance Costs	Our out-of-pocket costs of obtaining coverage	Immediately upon receipt of invoice	If you fail to procure or maintain the required insurance, we may procure the insurance and charge its cost along with our out-of-pocket expenses to you.
Relocation	Greater of actual expenses or $10,000	Prior to any relocation	You may not relocate the Franchised Business without our prior written consent, which may be withheld by ZIPS in its sole discretion. We may condition our approval upon the payment of an agreed minimum royalty to ZIPS during the period in which the Franchised Business is not in operation.
Renewal Fee	$10,000	At the time you sign the renewal franchise agreement	The renewal fee is in addition to any costs for remodeling that we may require as a condition of renewal.
Software Updates	Actual cost of updates	As incurred	The Franchise Agreement gives us the right to require you to purchase and use any new or upgraded proprietary software programs, system documentation Manuals and other proprietary materials that we may develop in the future.

TYPE OF FEE[(1)]	AMOUNT	DUE DATE	REMARKS[(2)]
Taxes	You must reimburse us for any taxes, fees or assessments imposed on us for acting as franchisor or licensing the Marks.	Within 30 days of receipt of invoice	
Transfer	$10,000	Prior to consummation of transfer	There is no fee if you transfer to a corporation or limited liability company that you control. Transfers, however, are subject to our prior consent.
ZIPSsoft Software Ongoing License Fee	$300	Quarterly	This Fee is payable to ZIPSsoft for the license to use the ZIPSsoft Software.
ZIPSsoft Software Ongoing Maintenance and Support Fee	$300	Monthly	This Fee is payable to ZIPSsoft for maintenance and support services.
Non-compliance Fee	$500 for first violation in 12-month period; $750 for second and $1,000 for third violation	As incurred	If, after we notify you, you fail to comply with the System standards, we may charge you a fee.
Customer Service	All costs incurred in assisting your customers	Upon Demand	If we determine it is necessary to provide services directly to your customers, you must reimburse us for all costs and expense we incur.
Customer Complaints	Reasonable costs and expenses	Upon Demand	If we resolve any customer complaints, you must pay all reasonable costs and expenses we incur.
Additional Optional Operations Assistance	Rates as in the Manuals, currently, $500 per day, plus our expenses	Upon Demand	If you request any additional assistance, you must pay us this fee.

TYPE OF FEE[(1)]	AMOUNT	DUE DATE	REMARKS[(2)]
Initial Training Program – Training Fee	We charge this fee only if you send more than 2 people to the initial training program. Then-current fee, currently $150 per day, per person.	Before training commences	We do not charge you a fee to send 2 people to our initial training program; however, if any additional, replacement, subsequent, or substitute personnel attend the training, we may charge you a fee. If you do not employ at least 2 people who have attended and been certified by us in the initial training program, we may charge you a penalty fee.

NOTES TO ITEM 6 TABLE:

(1) **General.** Unless otherwise noted, all fees are imposed by and payable to us and are non-refundable. Generally, all fees are uniformly imposed on our franchisees, however, in certain unique circumstances, we may reduce or waive a fee for a particular franchisee for a limited period of time. ZIPS Dry Cleaners Businesses operated by ZIPS Founders Members may not pay the same ongoing fees as our franchisees.

(2) **Electronic Funds Transfer and Due Date.** For all fees that are payable to us (unless we advise you otherwise), you must participate in our electronic funds transfer program authorizing us to utilize a pre-authorized bank draft system. All royalty fees and other amounts owed to us under the Franchise Agreement, including advertising fees and interest charges, must be received by us by no later than 8:00 AM EST on the Tuesday after the end of each fiscal week or at a later point specified by us. If we request, you must designate an account at a commercial bank and furnish to us all authorizations necessary to permit us to make withdrawals by electronic funds transfer.

(3) **Definition of Royalty Net Sales.** Royalty Net Sales shall include all revenue from the sale of all products and services and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed but not when purchased and proceeds from business interruption insurance) related to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit. Royalty Net Sales shall not include: **(1)** any sales taxes or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority; **(2)** the sale of services for which refunds have been made in good faith to customers; or **(3)** the sale of equipment used in the operation of the Franchised Business. Royalty Net Sales shall include, without limitation, monies or credit received from the sale of merchandise, from tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Franchised Business.

(4) **Reallocation of Marketing Contribution.** We have the right, following written notice to you, to reallocate your total marketing contribution among the National Marketing Fund Contribution, the Regional Marketing Fund Contribution (or, any Regional Co-op Fee) or Local Store Marketing.

(5) **Regional Marketing Funds and Regional Co-ops.** We have the right, in our sole discretion, to establish a Regional Marketing Fund or a Regional Co-op in the geographic area that covers your Franchised Business to which you will be required to contribute. If a Regional Co-op is established, that Co-op will determine the contribution rates for the ZIPS Dry Cleaners Business in that Co-op. The Co-op may increase the contribution rate

to an amount that will cause your Total Marketing Expenditure to exceed 5% of Royalty Net Sales. Each company-owned business will have one vote for each company-owned business operated in the geographic area covered by a Regional Co-op.

(6) **Local Store Marketing.** If you are required to contribute (and you actually contribute) to a Regional Marketing Fund or a Regional Co-op, your Local Store Marketing obligation will be reduced by the amount of that contribution, so that the Total Marketing Obligation is never more than 5% of Royalty Net Sales.

ITEM 7

ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount[1]	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Fees - Initial Franchise Fee[2]	$30,000	Lump Sum	Upon signing Agreement	ZIPS
New Store Marketing[3]	$10,000 - $50,000	As incurred	Between 90 days prior to opening to 60 days after opening of Franchise Business	Third Parties
Real Property/Rent[4]	$10,000 - $20,000	As Arranged	As arranged	Landlord
Utility Deposits[5]	$0 - $6,000	As Arranged	As incurred	Utility Company or Surety Bond Agent
Leasehold Improvements[6]	$200,000 - $375,000	Progress Payments	As arranged	Contractor
Architectural and Engineering Fees[7]	$19,000 - $35,000	As Arranged	As incurred	Architect
Construction Management Services[8]	$0 - $10,000	As Arranged	As Arranged	Third Parties
Furnishings, Fixtures, Marketing Materials, Supplies, and Other Branded Items[9]	$13,000 - $17,000	As arranged	As incurred	Approved Vendors, Third Parties
Insurance[10]	$3,000 - $7,000	As arranged	As incurred	Insurance Companies
Signage[11]	$20,000 - $25,000	As arranged	As incurred	Approved Vendors, Third Parties

Type of Expenditure	Amount[1]	Method of Payment	When Due	To Whom Payment Is To Be Made
Point of Sale System/Technical Equipment[12]	$20,000 - $30,000	As arranged	As incurred	Approved Vendors, Third Parties
Software[13]	$7,500	As incurred	Upon signing Agreement and Franchise Agreement	ZIPSsoft
Office Equipment & Supplies[14]	$1,200 - $4,000	As arranged	As incurred	Approved Vendors, Third Parties
Dry Cleaning / Laundry Production Equipment and Installation[15]	$300,000 - $425,000	As arranged	As incurred	Approved Vendors
Initial Production Supplies[16]	$10,000 - $15,000	As arranged	As incurred	Approved Vendors
Training[17]	$500 - $30,000	As arranged	As incurred	Airlines, Hotels, Third Parties
Licenses and Permits and Professional Fees[18]	$1,500 - $13,500	As arranged	As incurred	Licensing Authorities, your attorney, accountant and other business advisors
Additional Operating Funds – 6 months[19]	$100,000 - $200,000	As arranged	As incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT[20]	**$745,700 – 1,300,000**			

NOTES TO ITEM 7 TABLE:

(1) **Refundability.** Costs paid to ZIPS are not refundable. Whether any costs paid to third parties are refundable will vary based on the practice in the area where your Franchised Business is located. Amounts due to ZIPS and its affiliates must be paid by cashier's check, certified check, wire transfer or pre-authorized bank debit, as specified by ZIPS or its affiliate. We do not offer any financing directly or indirectly for any part of the initial investment.

(2) **Initial Franchise Fee.** The Initial Franchise Fee of $30,000 must be paid when the Franchise Agreement is signed. If you qualify for the VetFran Program, we will reduce by 20% the Initial Franchise Fee. See Item 5 for more detail on the Initial Franchise Fee.

(3) **New Store Marketing.** During the period beginning 90 days before the scheduled opening of the Franchised Business and continuing for 120 days after the Franchised Business first opens for business, you must conduct new store opening advertising for the Franchised Business that has been approved by ZIPS. See Item 11 for additional details.

Factors that may affect the actual amount spent include the type of media used, the size of the area you advertise to, local media costs, location of the Franchised Business, time of year and customer demographics in the surrounding area. Stores opening in new regions may require substantially more marketing during the initial stages of market and brand development.

(4) **Acquisition of the Franchised Location.** You must lease or purchase a suitable facility for the operation of the Franchised Business. Typically, a ZIPS Dry Cleaners Business requires approximately 2,705 to 3,250 square feet of space. It is difficult to estimate lease acquisition costs, which may vary based upon square footage, cost per square foot and required maintenance costs. The estimated cost range to enter into a lease agreement includes the first month's rent and a security deposit equal to one month's rent. Lease agreements may include the following expenses: taxes, insurance, maintenance, fixed rent (with escalations), percentage rent and other charges related to the operation of the Franchised Business. Estimated rental costs for an additional 5 months are included with the category "Additional Operating Funds." We cannot estimate the cost to purchase a suitable facility.

(5) **Utility Deposits.** If you are a new customer of your local utility providers, you may have to pay deposits in connection with services such as electric, telephone, gas and water. The amount of the deposit will vary depending upon the policies of the local utility providers.

(6) **Leasehold Improvements.** The Franchised Business must be established in accordance with the requirements of the System. The cost of the leasehold improvements assumes the space is tenant ready, which we consider to be the "vanilla box" stage, which refers to the interior condition of either a new or existing building or suite that has been prepped with adequate electrical/gas/water service to the leased space; heating/cooling with delivery systems; lighting; lavatory(s); a finished ceiling; walls ready for paint; and a concrete slab floor and will vary depending upon the condition of, layout, size and location of the Franchised Business, local wage rates and material costs. Your actual costs for this item may be reduced by contributions or reimbursements agreed to by the landlord. The landlord's willingness to provide tenant improvements and the form in which it is provided will vary.

(7) **Architectural and Engineering Fees.** This range is for the cost for you to take the generic layout that we provide and have that layout reviewed by a licensed architect, have the architect provide a site-specific layout and have a set of construction documents including mechanical, electrical, and plumbing drawings prepared by the architect for the Franchised Business. The fees may vary from location to location depending upon the prevailing rates. In addition, if you use an architect that we have not approved or that has not previously worked with us or our franchisees, your costs are likely to exceed the high end of the range. You should consult with local architects to determine the cost you will incur.

(8) **Construction Management Services.** Construction management services include project scheduling, coordination with general contractor and third-party vendors and suppliers, budget tracking, bid solicitation and review, assessment of quality control, project status reviews, and disbursement of project funds.

(9) **Furnishings, Fixtures, Marketing Materials, Supplies and Other Branded Items.** You will be required to purchase and install fixtures, furniture, items of décor, marketing materials, supplies, and other branded items necessary to outfit and operate your Franchised Business according to our specifications, including the counter stations, lighting and other items. The cost of these items includes sales tax at the rate of 5% and will vary

according to local market conditions, the size of the Franchised Business, competition among suppliers and other related factors. You may be able to lease from or finance through a third party a portion of these purchases.

(10) **Insurance.** Factors that may affect your cost of insurance include the location of the premises, value of the leasehold improvements and equipment, number of employees, and history of claims.

(11) **Signage.** This range includes the cost of all signage used in the Franchised Business and sales tax at the rate of 5%. The signage requirements and costs will vary based upon the size and location of the Franchised Business, local zoning requirements and local wage rates for installation. The typical sign package includes exterior channel letters signage, interior light boxes with graphics, vinyl applied window graphics, pylon signage and any other signage required by the Sign Manual.

(12) **Point of Sale System/Technical Equipment.** The Point of Sale System is described in more detail in Item 11. This item also includes the server, computer hardware, digital surveillance system, alarm system, wall mounted televisions, telephones, printers, scanners and sales tax at the rate of 5%.

(13) **Software.** As described in more detail in Item 5, ZIPSsoft will license to you the ZIPSsoft Software and you must pay the ZIPSsoft Software Initial License Fee. The Fee is payable with the Initial Franchise Fee.

(14) **Office Equipment and Supplies.** You must purchase general office supplies and purchase or lease office equipment including a safe, lockers and other items. Sales tax at the rate of 5% is included. Factors that may affect the cost of office equipment and supplies include local market conditions, the size of the premises, suppliers and other factors.

(15) **Dry Cleaning/Laundry Production Equipment and Installation.** You must purchase or lease dry cleaning/laundry production equipment for your on-premises physical plant. The range of costs represents the estimated purchase price and cost of installation of the equipment including the machines, conveyors, rail systems, estimated freight and sales tax at the rate of 5%.

(16) **Initial Production Supplies.** You will need to purchase an initial inventory of dry cleaning and laundry supplies. Sales tax at the rate of 5% is included.

(17) **Training.** You must pay any travel expenses, living expenses, wages, and other expenses incurred by you and your employees while attending our training programs. Our training programs are described in Item 11. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose.

(18) **Licenses, Permits and Professional Fees.** You should check with the relevant regulatory agencies to identify costs for required building permits, impact fees, taxes, bonds, licenses and other fees, which can vary significantly depending on the location. These figures also represent the estimated costs of engaging an attorney or other business professionals to review this disclosure document and the accompanying agreements, assist you in organizing a business entity and help you obtain required licenses and permits. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants.

(19) Additional Operating Funds – Initial Period. These figures are an estimate of the additional funds that you may require for certain expenses during the initial period, which we consider to be 6 months after opening. This 6-month period is not intended, and you should not use it or interpret it, to identify a point at which your Franchised Business will break even. This estimate does not include payments for, among other things, taxes, loan payments (including interest), depreciation, Local Store Marketing obligations, National Marketing Fund contributions, Regional Marketing Fund contributions, ongoing software fees and royalty fees. These amounts are likely to vary significantly and we cannot estimate the amount you will spend for these obligations. You may need additional funds, or you may need them for a longer period of time. This calculation does include the following expenses: payroll but not for the owner, insurance premiums, rent, cost of supplies, and payments to utility companies. These figures are estimates, and ZIPS cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: the size of your Franchised Business; how closely you follow our methods and procedures; your management skill, experience and business acumen; financing costs; local economic conditions; the local market for dry cleaning and laundry services; the prevailing wage rate; competition; and the sales level reached during the initial period.

(20) Total. This is an estimate of your initial investment and is based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and is based on our and our affiliates' experience. The amounts shown are estimates only and may vary for many reasons including the size of your Franchised Business, the capabilities of your management team, where you locate your Franchised Business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. We cannot guarantee that you will not have additional expenses in starting the Franchised Business. We do not finance any portion of the initial investment.

Development Agreement

Upon signing the Development Agreement, you must pay to us the non-refundable development fee of $10,000 per Franchised Business described in Item 5 of this disclosure document. You will also need funds for working capital to pursue your obligations under the Development Agreement, but there are no other initial investments required at that time. Other than $10,000 per Franchised Business in your development area, we are unable to estimate the extent of your working capital needs, which will depend in large part of the number of sites you evaluate and develop. An initial investment will be required for each Franchised Business opened by you. Our estimate of each such investment is disclosed in this Item.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approved Suppliers / Approved Materials. We have the right to require that you purchase all advertising materials, furniture, fixtures, equipment, signage, decorations, forms, inventory, packaging, supplies (such as garment bags), uniforms, and other items and services offered for sale at, or used in the operation of, a ZIPS Dry Cleaners Business ("materials") from manufacturers, distributors, vendors and suppliers (collectively "suppliers") approved by ZIPS. ZIPS, its parent, and its affiliates may be an approved supplier for any materials. We will provide, in the Manuals or by other written or electronic form, a list of materials you will need to purchase and offer for sale to customers or to operate your Franchised Business. ZIPS may require that you use only certain brands and prohibit you from using other brands. ZIPS may from time to

time modify the list of approved brands and/or suppliers, and you may not, after receipt of such modification in writing, reorder any brand from any supplier that is no longer approved. Our standards and specifications for ZIPS Dry Cleaners Businesses are contained in the Manuals. A list of approved suppliers is available upon written request.

Supplier Approval Process. We may approve one or more suppliers for any materials and may approve a supplier only as to certain materials. ZIPS may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of ZIPS Dry Cleaners Businesses or any other group of dry cleaning and laundry services businesses franchised or operated by ZIPS or its affiliates. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, competitive pricing, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by ZIPS. ZIPS may establish distribution facilities owned and operated by ZIPS or an affiliate that ZIPS shall designate as an approved supplier.

If you propose to purchase any materials (that you are not required to purchase from ZIPS, an affiliate of ZIPS or an approved supplier) from a supplier that ZIPS has not previously approved, you must submit to ZIPS a written request for such approval, or request the supplier to do so itself. Our criteria for approving suppliers is available to you upon request. ZIPS has the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that such information, specifications and samples as ZIPS reasonably designates be delivered to ZIPS and/or to an independent, certified laboratory designated by ZIPS for testing prior to granting approval. You must pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the test. We will notify you within 30 days after receipt of your request as to whether you are authorized to purchase such products from that supplier. ZIPS may re-inspect the facilities and products of any such approved supplier and revoke its approval upon the suppliers' failure to continue to meet any of ZIPS' criteria.

Currently, ZIPSsoft is the only supplier of the ZIPSsoft Software and the only provider of services under the ZIPSsoft Software License Agreement. A copy of the ZIPSsoft Software License Agreement is included as Exhibit G and the ZIPSsoft Software Service Agreement is included as Exhibit H. During the fiscal year ended December 31, 2019, ZIPSsoft's revenues from the ZIPSsoft Software License Agreement totaled $140,605, or 46.6% of ZIPSsoft's total revenues of $301,555, and ZIPSsoft's revenues from the Software Service Agreement totaled $160,950 or 53.4% of ZIPSsoft total revenues of $301,555. The revenue information was obtained from our audited financial statements.

We estimate that the purchase of products that are subject to our standards and specifications represents up to 95% of your overall purchases in establishing the Franchised Business and up to 95% of your overall purchases in operating the Franchised Business.

We may receive fees, rebates, commissions, royalties, or other consideration from approved suppliers based on sales to franchisees, and we may charge non-approved suppliers reasonable testing and/or inspection fees. To date, neither we nor VDA nor our affiliates have received any revenue or other material consideration from third-party suppliers as a result of purchases made by franchisees. However, we reserve the right to receive rebates from suppliers as a result of purchases made by you and other franchisees.

We may negotiate system-wide purchasing arrangements, including pricing terms, with suppliers for the benefit of all ZIPS Dry Cleaners Businesses. There are no purchasing or distribution cooperatives in existence at this time. However, we do reserve the right to develop these cooperatives in the future.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional ZIPS Dry Cleaners Businesses) based on whether you purchase through the sources we designate or approve; however, purchases of unapproved products or purchases from unapproved suppliers in violation of the Franchise Agreement will entitle us to terminate the Franchise Agreement.

Computer Equipment. Before you open the Franchised Business, you must purchase (or lease) from an approved vendor and maintain a computer system and point of sale system. You must obtain and install the data processing equipment, computer hardware and software, required dedicated telephone, DSL and power lines, high speed Internet connections, printers and other computer-related accessory or peripheral equipment as ZIPS specifies in the Manuals or otherwise. All of the foregoing must be able to provide ZIPS that information, in that format/medium, as ZIPS reasonably may specify from time to time. You must establish a high speed static internet connection communication link. You must assist ZIPS with bringing your computer system on-line with the computer system designated and/or maintained by ZIPS or its affiliates. ZIPS will have the free and unfettered right to access and retrieve any data and information from your computers, including electronically polling the daily sales and other data of the Franchised Business.

You must utilize any proprietary software programs, system documentation Manuals and other proprietary materials provided by us or required by us in connection with the operation of the Franchised Business. You must input and maintain in your computer the software programs, data and information as we prescribe. You must purchase or license from us or our affiliates, at prices and upon terms that we determine, the applicable proprietary software programs (including the ZIPSsoft Software), Manuals and/or computer-related materials if and when we decide to use new or upgraded programs, Manuals and/or materials throughout the System.

Insurance. You must purchase and maintain during the term of the Franchise Agreement the types and amounts of insurance specified in Section 17.B. of the Franchise Agreement in addition to any other insurance that may be required by applicable law, any lender or lessor. The minimum required insurance includes: comprehensive general liability insurance on an occurrence basis with policy limits of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate; property insurance for not less than the full replacement value of the Franchised Business, its furniture, fixtures, equipment, inventory and other tangible property; business interruption and extra expense coverage; plate glass coverage; employer's liability coverage in the minimum amount of $100,000 or higher if required by state law; workers' compensation; builder's all risks insurance; automobile liability insurance for not less than $1,000,000; pollution and environmental liability insurance in the minimum amount of $1,000,000; and umbrella insurance in the minimum amount of $1,000,000. We may increase the minimum coverage required or require different or additional kinds of insurance. Your insurance policies must name us as an additional insured.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and the Development Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

OBLIGATION	SECTION IN DEVELOPMENT AGREEMENT (DA) FRANCHISE AGREEMENT (FA)	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	DA: Section 3 FA: Sections 3, 4 & Appendix E	Items 7 & 11
b. Pre-opening purchases/leases	DA: Section 5 FA: Sections 3A, 4 & 5C	Items 7 & 8
c. Site development and other pre-opening requirements	DA: Not Applicable FA: Sections 3, 5 & Appendix A	Items 6, 7 & 11
d. Initial and ongoing training	DA: Not Applicable FA: Sections 6B(10), 12 & 13B	Items 5, 6, 7 & 11
e. Opening	DA: Not applicable FA: Sections 6, 13B, Appendix A & Rider 1	Items 7 & 11
f. Fees	DA: Section 4 & Appendix B FA: Sections 1C, 1D, 2B(6), 5A, 7, 15O, 20C(1) & Appendix A	Items 5 & 6
g. Compliance with standards and policies/Operating Manual	DA: Not applicable FA: Sections 8 & 10	Items 8 & 11
h. Trademarks and proprietary information	DA: Section 10B FA: Sections 10C, 16, 22A & 22B	Items 13 & 14
i. Restrictions on products/services	DA: Not applicable FA: Section 11B	Item16
j. Warranty and customer service requirements	DA: Not applicable FA: Sections 15G & 15M	Items 11 & 16
k. Territorial development and sales quotas	DA: Section 2 & Appendices A & B FA: Sections 1B & Appendix A	Item 12
l. Ongoing product/service purchases	DA: Not applicable FA: Sections 11B, 15B & 15C	Item 8
m. Maintenance, appearance and remodeling requirements	DA: Not applicable FA: Sections 11 & 15	Item 11
n. Insurance	DA: Section 5 FA: Section 17	Items 6, 7 & 8
o. Advertising	DA: Not applicable FA: Sections 7, 9 & Appendix B	Items 6, 7 & 11
p. Indemnification	DA: Section 14 FA: Section 27	Item 6
q. Owner's participation/ management/staffing	DA: Section 6 FA: Sections 13C., 15H, 18G, 18H, 28 & 34F	Items 11 & 15
r. Records/reports	DA: Not applicable FA: Sections 8	Items 6 & 11

OBLIGATION	SECTION IN DEVELOPMENT AGREEMENT (DA) FRANCHISE AGREEMENT (FA)	DISCLOSURE DOCUMENT ITEM
s. Inspections/audits	DA: Not applicable FA: Sections 5E, 8 & 14	Items 6 & 11
t. Transfer	DA: Sections 7 & 8 FA: Sections 19 & 20	Item 17
u. Renewal	DA: Not applicable FA: Section 2B	Item 17
v. Post-termination obligations	DA: Section 12 FA: Section 24	Item 17
w. Non-competition covenants	DA: Section 10C FA: Section 22	Item 17
x. Dispute resolution	DA: Sections 19 FA: Sections 32 & 34G	Item 17
y. Spousal Guarantee	DA: Section 6F and Guarantee FA: Section 18F and Guarantee	Item 15

ITEM 10

FINANCING

ZIPS does not offer any direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

ZIPS' Obligations Prior To Opening

Before you open your Franchised Business, we will:

1. Identify a non-exclusive area ("Designated Area") in which you will select a site to be accepted by us. (Franchise Agreement, § 3A)

2. Provide you with the following site selection assistance: **(A)** our site selection guidelines and, as you may request, a reasonable amount of consultation; and **(B)** such on-site evaluation as we may deem advisable as part of our evaluation of your request for site acceptance. (Franchise Agreement, § 3B)

3 Advise you in writing whether we have accepted the site within 15 days after we receive your completed site application and any additional information that we may reasonably require. If we do not respond within 15 days, we will be deemed to have refused to accept the site. (Franchise Agreement, § 3D(1))

4. Provide a generic (not site-specific) layout for a ZIPS Dry Cleaners Business. (Franchise Agreement, § 5A(1))

5. If you propose to purchase any furnishings, fixtures, equipment or signage from a supplier that we have not approved, you must notify us in writing and submit the information we request. We will notify you within 30 days after we receive that information whether we approve or disapprove that supplier. (Franchise Agreement, § 5C)

6. During the course of construction for the Franchised Business, inspect the Franchised Location and the course of construction and/or renovation. (Franchise Agreement, § 5E)

7. Permit you to have access to an electronic version of our confidential and proprietary Manuals, which contain information and knowledge that is unique, necessary and material to the System, including mandatory specifications and standards relating to the construction, management and operation of a ZIPS Dry Cleaners Business. The Manuals remain our property. We may revise the contents of the Manuals, and you agree to comply with each new or changed section. (Franchise Agreement, § 10) The Tables of Contents of the Manuals as of the date of this disclosure document is attached as Exhibit J. As of that date, the Manuals contained a total of 250 pages.

8. Provide the initial training program to up to 2 persons including: **(a)** you (if you are an individual) or the Operating Principal (if you are an entity) or a 10% Owner; and **(b)** a Store Manager. (Franchise Agreement, § 12A)

9. Provide you with consultation and advice with regard to the development and operation of the Franchised Business, building layout, furnishings, fixtures and equipment, plans and specifications, employee recruiting, selection and training, purchasing and inventory control and such other matters as we deem appropriate. (Franchise Agreement, § 13A)

10. Provide opening assistance that we deem necessary. (Franchise Agreement, § 13B)

11. Provide specifications for the computer system and point of sale system that meets our requirements. (Franchise Agreement, § 15C)

ZIPS' Obligations After Opening

During the operation of your Franchised Business, we will:

1. Collect, administer and spend for advertising purposes monies, if any, paid by ZIPS Dry Cleaners Businesses into the National Marketing Fund and any Regional Advertising Fund (if established). (Franchise Agreement, §§ 9C & D)

2. Provide you with general guidelines for local advertising and promotion from time to time. You must submit to us for our prior approval all local advertising and promotional materials. (Franchise Agreement, § 9G)

3. Approve or disapprove all content requested to be posted on our Internet website. (Franchise Agreement, §9I)

4. Provide ongoing and additional training to you (or, if applicable, your Operating Principal), your Store Managers, any 10% Owner or any individual whom you have identified as a future Store Manager, if we decide to require and/or offer such training. (Franchise Agreement, § 12)

5. Provide periodic advice and consultation to you in connection with the operation of the Franchised Business as we deem appropriate or necessary, including our knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of dry cleaning and laundry services business design, pricing, management, sales promotion, service concepts and other areas. (Franchise Agreement, § 13C)

6. Conduct inspections of the Franchised Business. (Franchise Agreement, § 14)

7. Establish the price that you must charge for one or more services offered for sale at the Franchised Business. (Franchise Agreement, § 15N)

Advertising

New Store Marketing. During the period beginning 90 days before the scheduled opening of the Franchised Business and continuing for 120 days after the Franchised Business first opens for business, you must conduct new store opening advertising for the Franchised Business that has been pre-approved by us. We have sole discretion over the manner in which such new store marketing for the Franchised Business is conducted. We reserve the right to require you to deposit with us the funds for the New Store Marketing program so that we may distribute the funds in connection with the New Store Marketing program.

Total Marketing Obligation. Your total marketing obligation is 5% of the Royalty Net Sales of the Franchised Business, which will be allocated among the National Marketing Fund, any Regional Marketing Fund or, in lieu of a Regional Marketing Fund, a Regional Co-op and Local Store Marketing (as described in more detail below). Following written notice to you, we may decrease, increase and reallocate your total marketing obligation.

We have established a national marketing fund ("National Marketing Fund"). We will not require you to contribute more than 4% of Royalty Net Sales to the National Marketing Fund. Currently, you are required to contribute 1.5% of Royalty Net Sales of the Franchised Business to the National Marketing Fund. Company-owned businesses are required to contribute to the National Marketing Fund on the same basis as comparable franchisees. During the year ending December 31, 2019, we spent the monies in the National Marketing Fund in the following approximate amounts: 24.3% on agency fees; 1.7% on market research; 18.8% on brand support; 17.1% on production; 24.2% on marketing management, administration and development; 4.8% on compensation for a public relations firm; and 9.4% on media advertising.

ZIPS or its designee will direct all advertising, marketing, and public relations programs and activities financed by the National Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. The National Marketing Fund may be used, among other things, to pay the costs of preparing and producing such associated materials and programs as ZIPS or its designee may determine, including video, audio and written advertising materials; employing advertising agencies; sponsorship of sporting, charitable or similar events; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist with these efforts; and supporting public relations, market research and other advertising, promotional and marketing activities.

We reserve the right to establish regional marketing funds ("Regional Marketing Funds") and regional advertising cooperatives ("Regional Co-ops"); provided that, you will not be required

to contribute to a Regional Marketing Fund and a Regional Co-op at the same time. If we establish a Regional Marketing Fund or Regional Co-op for a geographic area that includes your Franchised Business, you will be required to contribute a portion of your total marketing obligation to that Regional Marketing Fund or Regional Co-op. We will determine the geographic area covered by a Regional Marketing Fund or a Regional Co-op based on the location of the ZIPS Dry Cleaners Business in the area and the reach of print, radio and television media in the area. Advertising that is funded by any Regional Marketing Fund or any Regional Co-op must conform to those advertising and sales promotions specified by us from time to time. Only company owned businesses and franchised ZIPS Dry Cleaners Businesses in the geographic area covered by a Regional Marketing Fund or a Regional Co-op will be obligated to contribute to that Fund or Co-op. We have established a Regional Marketing Fund for the Baltimore/Washington area and if you are located in that area, you are currently required to contribute 2.5% of Royalty Net Sales of the Franchised Business to the Regional Marketing Fund. As of the date of this disclosure document, we have not yet established any Regional Co-ops.

We, or our designee, shall direct all advertising, marketing, and public relations programs and activities financed by the National Marketing Fund and any Regional Marketing Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities and the geographic, market and media placement and allocation of advertising and marketing materials. The advertising used by any fund may be national, regional or local. The marketing materials prepared for the National Marketing Fund and any Regional Marketing Fund may be prepared by an in-house marketing department or any advertising agency. You must participate in all advertising, marketing, promotions, research and public relations programs instituted by the National Marketing Fund or any Regional Marketing Fund.

As noted above, in lieu of a Regional Marketing Fund for the area that includes your Franchised Location, we may establish a Regional Co-op. Monies in the Regional Co-op may be spent for the purposes determined by majority vote of the Regional Co-op on the basis of one vote for each ZIPS Dry Cleaners Business in the Regional Co-op. If the members of a Regional Co-op are unable or fail to determine how to spend Regional Co-op monies, ZIPS may assume this decision-making authority following advance written notice to the Regional Co-op members.

Advertising that is funded by the National Marketing Fund, any Regional Marketing Fund or Regional Co-op Fund must conform to our advertising and sales promotions. We, or our designee, have the right to terminate (and subsequently restart) any of the advertising and cooperative funds and establish different advertising and/or cooperative funds. We may incorporate any advertising fund and may have a separate entity manage any advertising fund. We will not use any of the advertising funds for advertising that is principally a solicitation for the sale of franchises. We have not established an advisory council of franchisees to provide input on advertising matters, but we reserve the right to do so in the future.

Currently, you must spend at least 1% of Royalty Net Sales on Local Store Marketing. If you are required to contribute (and you actually contribute) to a Regional Marketing Fund or a Regional Co-op, your Local Store Marketing obligation will be reduced by the amount of that contribution; we will not reimburse you for any amount that your contributions exceed your Local Store Marketing obligation. You may purchase Local Store Marketing materials from any source approved by us. We, or our designee, may furnish you with marketing, advertising and promotional materials at the cost of producing them, plus any related shipping, handling and storage charges. You may not modify such materials without our prior written consent. If you purchase these materials from a source other than ZIPS or its affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for advertising and promotions promulgated from time to time by ZIPS or its designee and must be submitted to ZIPS or its designee at least 30 days prior to first use for written approval by ZIPS, which ZIPS may

grant or withhold in its sole discretion. Your marketing, advertising and promotional materials must bear the Marks in the form, color, location and manner that we prescribe. In no event may your advertising contain any statement or material which, in our sole discretion, may be considered: (**1)** in bad taste or offensive to the public or to any group of persons; **(2)** defamatory of any person or an attack on any competitor; **(3)** to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or **(4)** inconsistent with the public image of ZIPS or the System.

We will separately account for all of the advertising funds, but we are not required to segregate any of the funds from our other monies. None of the funds shall be used to defray any of our general operating expenses. ZIPS and its affiliates may be reimbursed by each fund for expenses directly related to the fund's marketing programs including conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to each fund. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all ZIPS Dry Cleaners Businesses to each fund during the year or cause each fund to invest any surplus for future use by the fund. We will prepare a report of the operations of the funds annually, which will be available to you upon written request. In spending advertising monies, we are not obligated to make expenditures for any franchisee that are equivalent or proportionate to that franchisee's contribution or to ensure that any particular franchisee benefits directly or on a pro rata basis from expenditure of the funds. The National Marketing Fund, any Regional Marketing Fund and any Regional Co-op are not trusts and we assume no fiduciary duty to you in connection with administering these funds.

You must list the telephone number of the Franchised Business in any print and on-line telephone or business directories that we designate. You must place the listing with other ZIPS Dry Cleaners Businesses operating within the distribution area.

Computer System

You must purchase and maintain a computer system and POS System that meets our specifications. These systems must be capable of recording customer transactions, collecting and generating sales reports and collecting and generating sales reports by categories. The system also must be capable of complying with the Fair Credit Reporting Act, which requires that, among things, merchants truncate credit card and debit card numbers. You must establish and continuously maintain a high speed static Internet connection communication link. You must provide all assistance required by us to bring your computer system and point of sale system on–line with our computer system. We have the right to access and retrieve any data and information from your computer system that we deem appropriate, including electronically polling the daily sales and other data of the Franchised Business. There are no contractual limitations on our right to access this information and data.

We estimate that it will cost you approximately $21,000 to $26,000 to purchase a computer system and POS System for your Franchised Business. ZIPSsoft will license the ZIPSsoft Software to you and you will pay the ZIPSsoft Software Initial License Fee of $7,500 and, currently, a quarterly ongoing fee of $300. You will also enter into a Software Service Agreement with ZIPSsoft which has a monthly ongoing fee of $300. Pursuant to this Agreement, ZIPSsoft will provide ongoing maintenance and support services to you. We may provide, at no cost to you, enhancements for the ZIPSsoft Software. You are required to upgrade or update these systems during the term of the Franchise Agreement, and there is no contractual limitation on the frequency and the cost of the obligation and we do not provide these services to you. Most vendors have a standard warranty on their products, and extended warranty and maintenance programs may be available. We estimate that the current annual cost of an optional and/or required maintenance/support contract, including upgrades/updates, may be up to $6,000,

depending on numbers and types of equipment. Upgrade and maintenance costs are subject to change, without notice.

Selecting the Location for the Franchised Business

We do not select the site for your Franchised Business. You select the site for your Franchised Business (subject to our acceptance) by the Site Acceptance Deadline from within the Designated Area. If you have not signed a Development Agreement, generally, the Site Acceptance Deadline is 180 days after you sign the Franchise Agreement. If you have signed a Development Agreement, generally, the Site Acceptance Deadline is 180 days prior to the Store Open Deadline. If we have not accepted a site by the Site Acceptance Deadline, we, at our option, may terminate the Franchise Agreement and we will not refund any portion of the Initial Franchise Fee if we terminate the Franchise Agreement. As noted in Item 1, you should not acquire any interest in a site for your Franchised Business until you have been approved as a franchisee, and we have accepted the site in writing.

You must submit to us a Site Application (containing that information as we may reasonably require) for a proposed site which you reasonably believe conforms to site selection criteria we establish from time to time, including demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses (including businesses operated or franchised by ZIPS or our affiliates), the nature of other businesses in proximity to the site and other commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises. You also must furnish us with such financial statements and other information regarding you and the development and operation of the proposed Franchised Business, including, without limitation, investment and financing plans for the proposed Franchised Business, as we reasonably may require. For Franchised Businesses to be developed pursuant to a Development Agreement, we will provide you with our then-current criteria for site selection and will accept or decline the site you have selected for the location of the Franchised Business.

Upon receipt of the Site Application and other requested materials, we will review those materials and evaluate the proposed site using the site selection criteria referenced above. Within 15 days after we receive the completed Site Application and any additional information that we may reasonably require, we will advise you in writing whether we have accepted a particular site. If we do not respond within that time period, we will be deemed to have refused to accept the site. Our acceptance or refusal to accept a site may be subject to reasonable conditions as determined in our sole discretion.

Our acceptance of one or more sites is not a representation or a promise that a Franchised Business at an accepted site will achieve a certain sales volume or a certain level of profitability. Similarly, our acceptance of one or more sites and our rejection of other sites is not a representation or a promise that an accepted site will have a higher sales volume or be more profitable than a site that we did not accept. Our acceptance only indicates our willingness to be represented by you at that site.

If you propose to lease or sublease the Franchised Location, you must provide us with a copy of the lease or sublease (for a term, including renewal terms, for at least the initial term of the Franchise Agreement) for the Franchised Location within 30 days after we accept the site for the Franchised Location.

Time Between Agreement Signing and Opening

We estimate that the time from our acceptance of a site to opening of the Franchised Business is approximately 6 to 12 months. Factors affecting the length of time needed to open the Franchised Business usually include your ability to obtain a lease and adequate financing, weather, local requirements and procedures for necessary permits and zoning, shortages or delayed installation of equipment, signs and fixtures and special circumstances affecting construction in a particular area, none of which are within our control. You must open the Franchised Business within 12 months after you sign the Franchise Agreement or we will terminate the Franchise Agreement.

Training

Initial Training Program

At least 15 days before you open the Franchised Business, you (or, if you are a business entity, your Operating Principal) must successfully complete and be certified by us in our initial training program. After you or your Operating Principal have successfully completed and been certified in our initial training program, you (or the Operating Principal) are fully responsible for the training of all of your employees in accordance with our System Standards and you must certify to us that such persons have successfully completed all required training.

We do not charge a fee for 2 people to attend the initial training program; however, you must pay our then-current fee for any additional, subsequent, replacement or substitute personnel who attend the initial training program. You must pay all travel expenses, living expenses, wages and other incidental expenses incurred by all trainees while attending the initial training program.

We will not authorize your Franchised Business to open until at least 1 person who will work at the Franchised Business has successfully been trained and certified. Subsequent to the opening of the Franchised Business, the Franchised Business must, at all times, be under the direct, on-site supervision of a trained and certified individual. If the Franchised Business is not under the direct, on-site supervision of a trained and certified individual at all times, we may charge you a penalty fee or place you in default under your agreements.

We reserve the right to dismiss from the initial training program any person whom we do not believe will perform acceptably and you must provide a suitable replacement within 30 days of such dismissal. If any trainee fails to complete our initial training program or receive certification, the trainee (or a substitute) may repeat the training; however, we will have no obligation to extend the Opening Deadline and, if we provide the training, we may charge you a training fee. In the alternative, we may terminate your agreements with us and not permit you to open the Franchised Business.

The initial training program consists of 240 hours of classroom and on the job training (which takes place over approximately 6 weeks). We have the right to modify the duration or content of the initial training program for any trainee. We offer the initial training program periodically during the year on an as-needed basis. The initial training program is scheduled so that it is completed sufficiently in advance of your Franchised Business' initial opening to afford adequate time for the Franchised Business set-up and the hiring and training of employees before the opening of the Franchised Business. The initial training program is mandatory for all franchisees.

The following chart summarizes the subjects taught during the ZIPS initial training program in the operation of a ZIPS Dry Cleaners Business:

TRAINING PROGRAM

SUBJECT	HRS OF CLASSROOM TRAINING	HRS OF ON THE JOB TRAINING	LOCATION (1)
Counter and Customer Service, dry cleaning tagging, and laundry tagging with ZIPSsoft	8	24	ZIPS Training Facility
Dry cleaning pressing	4	28	ZIPS Training Facility
Dry cleaning, dry cleaning machine operations, sorting darks and lights, fibers, fabrics and stain removal	8	48	ZIPS Training Facility
Laundry, washer operations, laundry pressing	4	28	ZIPS Training Facility
Quality, assembling, bagging, and assigning orders to conveyer locations with ZIPSsoft and Quick Sort	2	22	ZIPS Training Facility and at a Franchised Business
Production process management	2	14	ZIPS Training Facility
Management training; staffing and labor management, PPOH and scheduling, employee relations, supply ordering, store level profitability, payroll processing, claims management, customer service culture, lot management and workflow, cash reconciliation and daily deposits, P&L cost controls, preventative maintenance procedures and tracking, hands on management of the training store	8	32	ZIPS Training Facility
Administrative topics, advertising, reporting requirements and procedures, daily financial closeout of your Franchised Business, Final Assessment	8	0	ZIPS Home Office
TOTAL	44	196	

Note to Training Table:

(1) The initial training program is conducted at our training facility located in Elkridge, Maryland. We also reserve the right to conduct the initial training at other ZIPS Dry Cleaners Businesses depending on various factors including the availability of personnel and trainers.

We will use the Manuals and related handouts as instructional materials for the initial training program. Ms. Allsbrooks, our Director of Store Operations disclosed in Item 2, oversees our training programs. In addition, we will provide qualified trainers for the training program, which may include the officers of ZIPS. Our trainers have direct experience with operating a ZIPS Dry Cleaners Business, with various aspects of the dry cleaning industry or with franchising generally. Each trainer has between 5 and 37 years of experience in the dry cleaning industry and 1 and 11 years of experience with us.

Subsequent to the opening of the Franchised Business, any personnel replacing someone who went through training must, within 60 days after assuming such position, attend and successfully complete the initial training program. ZIPS reserves the right to charge you a training

fee for providing the initial training program to the replacement person. You must pay for any travel expenses, living expenses, wages, and other expenses incurred by the replacement person while attending the initial training program.

Ongoing Training

We may provide and require you (or, if applicable, the Operating Principal), any Store Manager, any 10% Owners, and any employee whom you expect will become a Store Manager to attend ongoing training programs and seminars. We will not require any person to attend more than 4 days of ongoing training per calendar year. We will not charge a training fee for such ongoing training. You must pay for any travel expenses, living expenses, wages, and other expenses incurred by the trainees while attending the ongoing training. This training will be conducted at our headquarters, at your Franchised Business or such other location as we designate.

Additional Training

We may require that you (or, if applicable, the Operating Principal), any Store Manager, any 10% Owner and/or any employee whom you expect will become a Store Manager take and successfully complete any additional training courses. We reserve the right to require you to pay a training fee as established by us from time to time for such additional training programs. You must pay for any travel expenses, living expenses, wages, and other expenses incurred by the trainees while attending the additional training programs. This training will be conducted at our headquarters, at your Franchised Business or such other location as we designate.

ITEM 12

TERRITORY

Under the Franchise Agreement and Development Agreement, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own or from other channels of distribution or competitive brands that we control.

Development Agreement

You will not receive an exclusive territory if we grant you a Development 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 you sign a Development Agreement, you will receive a Development Territory, which will be mutually agreed upon by ZIPS and you, taking into consideration the density of the area and the number of Franchised Businesses you agree to develop. A description of the Development Territory will be attached as an appendix to the Development Agreement. The perimeters of the Development Territory may be described by specific street boundaries, county lines, state lines, municipal boundaries, railroad tracks or other similar boundary descriptions, and the size may range from a portion of a metropolitan area to a county or a state in less densely populated areas.

During the term of the Development Agreement, we will not operate or license others to operate ZIPS Dry Cleaners Businesses in the Development Territory, provided you are in compliance with the terms of the Development Agreement and other agreements with ZIPS or its affiliates and you are current on all obligations due to ZIPS and its affiliates. The restrictions apply only to ZIPS (and not any affiliate or parent of ZIPS) and do not apply to ZIPS Dry Cleaners Businesses under development or in operation in the Development Territory as of the date of the Development Agreement.

Notwithstanding the rights granted in the Development Territory, we retain the right to: **(A)** operate and/or license others to operate, businesses in the Development Territory identified in whole or in part by the Marks and/or utilizing the System that are located in hotels or any similar captive market location; **(B)** award national, regional or local licenses to third parties to sell services under the Marks in facilities in the Development Territory, provided that those facilities are identified by the third party's trademark; **(C)** sell, merchandise and distribute services or products identified by the Marks or by any other name or mark through any method or channel of distribution (including the Internet, wholesale, mail order and catalogs) other than through the operation of a business to any location including to locations within the Development Territory; **(D)** sell and/or distribute services and products identified by the Marks to businesses in the Development Territory, provided that those businesses are not licensed to use the Marks in connection with retail sales; **(E)** operate and/or license others to operate businesses identified in whole or in part by the name "ZIPS®" at any location outside of the Development Territory; **(F)** operate and/or license others to operate, at any location any type of business other than a business identified in whole or in part by the name and mark "ZIPS®"; **(G)** operate, and license others to operate, after the Development Agreement terminates or expires, ZIPS Dry Cleaners Businesses at any location (including within the Development Territory); **(H)** develop and/or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks licensed to you; and **(I)** purchase, be purchased by, merge with or combine with businesses that directly or indirectly compete with ZIPS Dry Cleaners Businesses.

There are no minimum sales quotas or other conditions that must be met in order to maintain your limited exclusivity in the Development Territory. However, if you are in default under the Development Agreement (which may include, but is not limited to, a default for failing to comply with the Development Schedule) or any Franchise Agreement, we may terminate the Development Agreement and the limited exclusivity in the Development Territory. As a result, you will not have the right to develop additional Franchised Businesses in the former Development Area, and we may establish or operate, or license others to establish or operate, new Franchised Businesses or substantially similar businesses operating under the same or substantially similar trade name or marks in the former Development Area. You do not receive any rights of first refusal, options or similar rights under the Development Agreement to develop or operate any Franchised Business in addition to the number specified in the Development Schedule.

Franchise Agreement

You will not receive an exclusive territory if we grant you a Designated Area. 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 you have not identified a site when you sign the Franchise Agreement, you will select a site for the Franchised Business from within the limited geographic area ("Designated Area") that we designate and identify in an appendix to the Franchise Agreement. The Designated Area is identified only for site selection purposes. By the Site Acceptance Deadline, you must obtain our acceptance of the site for the Franchised Business or, we, at our option, may terminate the Franchise Agreement. We have the right to move or modify the Designated Area. The Designated Area will be determined by us on a case-by-case basis considering economic, demographic and geographic information (such as population density). You do not have any territorial exclusivity or protection in the Designated Area.

Once we have accepted a site for your Franchised Business, you will have the right to operate a ZIPS Dry Cleaners Business at that location. If you comply with the Franchise Agreement and any other agreements with us, during the term of the Franchise Agreement, we will not operate, or license others to operate, ZIPS Dry Cleaners Businesses in a geographic area

that ZIPS identifies ("Protected Area"). The Protected Area may be stated as a radius (of approximately 2 miles), a metes and bounds description around the Franchised Location, or a group of zip codes.

Notwithstanding the rights we grant you in the Protected Area, we and our affiliates retain the rights to: **(1)** operate and/or license others to operate, businesses in the Protected Area identified in whole or in part by the Marks and/or utilizing the System that are located in hotels or any similar captive market location; **(2)** award national, regional or local licenses to third parties to sell services under the Marks in facilities in the Protected Area, provided that those facilities are identified by the third party's trademark; **(3)** sell, merchandise and distribute services or products identified by the Marks or by any other name or mark through any method or channel of distribution (including the Internet, wholesale, mail order and catalogs) other than through the operation of a business to any location including to locations within the Protected Area; **(4)** sell and/or distribute services and products identified by the Marks to businesses in the Protected Area, provided that those businesses are not licensed to use the Marks in connection with sales; **(5)** operate and/or license others to operate businesses identified in whole or in part by the name "ZIPS®" at any location outside of the Protected Area; **(6)** operate and/or license others to operate, at any location any type of business other than a business identified in whole or in part by the name and mark "ZIPS®"; **(7)** operate and license others to operate, after this Agreement terminates or expires, ZIPS Dry Cleaners Businesses at any location (including within the Protected Area); **(8)** develop and/or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks licensed to Franchisee; and **(9)** purchase, be purchased by, merge with or combine with businesses that directly or indirectly compete with ZIPS Dry Cleaners Businesses. The limited exclusivity in the Protected Area does not limit the operation of ZIPS Dry Cleaners Businesses that are under construction or in operation in the Protected Area when you sign the Franchise Agreement.

There are no minimum sales quotas or other conditions that must be met in order to maintain your limited exclusivity in the Protected Area. However, if you are in default under the Franchise Agreement, we may terminate the Franchise Agreement and the limited exclusivity in the Protected Area. You do not receive any rights of first refusal, options or similar rights under the Franchise Agreement to develop or operate additional ZIPS Dry Cleaners Businesses.

You may not relocate the Franchised Business without our written consent. Our consent to relocation may be conditioned upon: **(1)** our acceptance of the new location; **(2)** your construction and equipping of a Franchised Business at the new location in accordance with the then-current System standards and specifications; **(3)** you open a Franchised Business at the new location to the public for business within 6 months after the loss of possession of the Franchised Location; **(4)** you pay us the greater of: any expenses incurred by us in connection with the relocation or a relocation fee in the amount of $10,000; and **(5)** for the time the Franchised Business is not in operation, you pay us a minimum weekly royalty fee based upon the Royalty Net Sales during the 26 weeks prior to the request for relocation.

* * *

We generally do not restrict the persons you solicit, or the methods by which you promote the Franchised Business. We may not modify or terminate your rights in the Development Territory or the Protected Area unless you are in default under the Development Agreement or Franchise Agreement.

Except as described above, we and our affiliates may establish other franchised or company outlets under the Marks and/or under other marks that may compete with your location. We and our affiliates may merchandise and distribute goods and services identified by the Marks

through methods or channels of distribution other than outlets similar to your Franchised Business. We have no obligation to compensate you for any such sales in the Development Territory or the Protected Area. We reserve all rights to use and license the System other than those we expressly grant you under the Development Agreement or Franchise Agreement.

ITEM 13

TRADEMARKS

We grant you the right to operate a dry cleaners and/laundry business under the name "ZIPS®" and to use our other current or future Marks in the operation of your Franchised Business. Under a License Agreement with VDA dated January 1, 2005, we have the exclusive right to use and permit our franchisees to use the Marks (including the name and mark "ZIPS®") The term of the license agreement is 99 years; however, the license agreement may be terminated if we make an assignment of assets for the benefit of creditors, if a trustee is appointed to administer our business or if we are adjudged bankrupt.

VDA is the registered owner of the following principal Marks, which have been registered with the United States Patent and Trademark Office (USPTO) on the Principal Register, and all required affidavits of continued use have been filed and accepted:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
ZIPS	2,762,741	September 9, 2003
ZIPS® DRY CLEANERS	3,037,348	January 3, 2006
Z	3,136,333	August 29, 2006
ZIPS DRY CLEANERS Professional Cleaning. Unbeatable Pricing.	4,232,944	October 30, 2012
ZIPS DRY CLEANERS Professional Cleaning. Unbeatable Pricing.	4,399,718	September 10, 2013
ZIPS	4,410,451	October 1, 2013

If we do not have a federal registration for a Mark on the USPTO Principal Register, that trademark does not have the legal benefits and rights of a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use our Marks. You may not use the Marks on any vehicles without our prior written approval. You may not modify the Marks in any manner in connection with your display of, or creation or duplication of materials bearing, the Marks. You may not use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by ZIPS or in any entity name. You may not use any other trade names, service marks or trademarks in conjunction with the Franchised Business. You must use the symbol ® with all registered marks and the symbol ™ with all pending registrations or other marks. You may not use the Marks in connection with the sale of any unauthorized products or services or in any manner not authorized in writing by us.

You may not use the Marks on any Internet domain name, e-mail address or in the operation of any Internet web site without our prior written consent.

If we elect to use a principal name other than "ZIPS®" to identify the System, the System and the Franchise Agreement will be deemed amended to substitute that name, and you will be required to incur the necessary costs to adopt the new name.

There are no presently effective rulings of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court relating to the principal Marks that would materially affect your right to use the Marks. There are no pending infringement, opposition or cancellation proceedings or material litigation involving the principal Marks. Other than as described above, there are no agreements currently in effect that significantly limit our right to use or license the use of the principal Marks in any manner material to you. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal Marks in any state.

The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Marks. The Franchise Agreement does require that you notify us immediately if any litigation involving the Marks is instituted or threatened against you. You also must fully cooperate in defending or settling the litigation. You may not directly or indirectly contest the validity, or our ownership, of the Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents that are material to the franchise.

We claim copyrights in the Manuals, certain forms, architectural, engineering and construction plans, advertising materials, specifications, processes, techniques and methodologies, computer programs, newsletters, training materials, operations and accounting materials and other copyrightable items that are part of the System. We have not registered any copyrights with the United States Registrar of Copyrights. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so. There are currently no effective determinations of the Copyright Office (Library of Congress)

or any court regarding these materials. Our right to use or license these items is not materially limited by any agreement or known infringing use.

We have developed certain confidential and proprietary information ("Confidential Information"), including certain trade secrets, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a ZIPS Dry Cleaners Business. We will provide our Confidential Information to you during training, in the Manuals and as a result of the assistance we furnish you during the term of the franchise. You may only use the Confidential Information for the purpose of operating your Franchised Business. You may not disclose any part of this information to anyone who is not your employee. You may disclose to your employees only those parts of the Confidential Information that the employee needs to know to perform his job duties. You are responsible for enforcing the confidentiality provisions as to your employees. You cannot contest our interest in the trade secrets or Confidential Information.

Certain individuals with access to Confidential Information, including your owners, (and members of their immediate families and households) and officers, directors, executives, managers and professional staff, may be required to sign confidentiality and noncompetition agreements in a form the same as or similar to the Confidentiality and Noncompetition Agreement attached as Exhibit E-2.

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

We are not required by any agreement to protect or defend copyrights or Confidential Information, although we intend to do so as appropriate.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Operating Principal must devote full time and best efforts to supervising and conducting the operation of your Franchised Business and those other businesses that are franchised by ZIPS or our affiliates that you operate in the same geographic area as the Franchised Business. The Operating Principal must: **(1)** own at least a 10% equity interest in you; **(2)** maintain a primary residence within a reasonable driving distance of the Franchised Business; **(3)** successfully complete and be certified in the initial training program and any additional training we require; and **(4)** be a person acceptable to both ZIPS and you.

We require that you identify at least one Store Manager for the Franchised Business, who may be the Operating Principal. The Store Manager must successfully complete and be certified in the initial training program and any additional training we require and must sign ZIPS' then-current Confidentiality and Noncompetition Agreement (Exhibit E-3). Store Managers are not required to own an equity interest in you.

If you sign a Development Agreement, you must designate a qualified individual to serve as your Development Principal. The Development Principal must: **(1)** devote full-time and best

efforts to supervising the development of the Franchised Businesses; **(2)** be a person acceptable to both ZIPS and you; **(3)** own at least a 10% equity interest in you; **(4)** successfully complete and be certified in any training required by ZIPS; and **(5)** maintain a primary residence within a reasonable driving distance of the Development Territory.

If you are any type of business entity other than a sole proprietorship, ZIPS and you will identify a "Continuity Group." The members of the Continuity Group will be listed in an appendix to the Development Agreement and Franchise Agreement. You must notify ZIPS of any change in the Continuity Group. The Operating Principal and Development Principal must be members of the Continuity Group. Each member of the Continuity Group and each officer, director, and any person who holds a legal or beneficial interest in you of 10% or more (and the spouse of any such person) will be bound by the confidentiality and noncompetition restrictions described in Item 17 and must sign a guarantee assuming and agreeing to discharge all of your obligations to ZIPS.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Franchised Business solely for the operation of a ZIPS Dry Cleaners Business. You must operate the Franchised Business in strict conformity with the Manuals (or as otherwise provided in writing) including all methods, standards and specifications. Specifically, you maintain sufficient inventories of materials, adequately staff each shift with qualified employees and continuously operate the Franchised Business at its maximum capacity and efficiency for the minimum number of days and hours that we specify in the Manuals or otherwise in writing.

You must offer for sale and sell at the Franchised Business all and only those services and products as are expressly authorized by us in the Manuals or otherwise in writing. You may not sell any services or products that we have not authorized. From time to time, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon such factors as we determine, including test marketing, your qualifications, and regional or local differences. We may identify optional services that your Franchised Businesses may be permitted to offer; provided that, our prior written receipt is obtained and has not been revoked.

We have the right to change the services and products you may offer, the materials, supplies and goods used in the operation of the Franchised Business or our standards and specifications and, there are no limits on our ability to do so. You must promptly comply with the new requirements including discontinuing the offer of any services or products that we, in our sole discretion, disapprove, purchasing, removing or replacing any equipment, signs and fixtures, and making any improvements or modifications.

We do not limit the customers to whom you may sell goods or services.

See Item 8 for more specific information on restrictions covering what you may sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The following tables list certain important provisions of the Development Agreement and Franchise Agreement. You should read these provisions in the agreements attached to this disclosure document.

DEVELOPMENT AGREEMENT

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the franchise term	Section 1	The term begins on the date ZIPS signs the Development Agreement and expires on the earlier of: (**A)** the date the last Franchised Business identified in the Development Schedule actually opens; or **(B)** the Opening Deadline for the last Franchised Business as set forth in the Development Schedule.
b. Renewal or extension of the term	Not applicable	
c. Requirements for you to renew or extend	Not applicable	
d. Termination by you	Not applicable	
e. Termination by us without cause	Not applicable	
f. Termination by us with cause	Section 11	We may terminate upon default.
g. "Cause" defined-curable defaults	Section 11A(13)	You have 10 days to cure monetary defaults. You have 15 days to cure the following defaults: acquisition of site before accepted by ZIPS; construction commenced before receipt of executed Franchise Agreement; unauthorized transfer; knowing falsification of any report; and material misrepresentation. Under certain conditions, you have six months to cure a default for failure to comply with Development Schedule. You have 120 days to cure the following defaults: insolvency; unable to pay creditors (including ZIPS); petition in bankruptcy, arrangement for the benefit of creditors or a petition for reorganization filed; assignment for the benefit of creditors; or appointment of receiver or trustee; execution is levied; and foreclosure proceedings. You have 30 days to cure defaults other than those discussed in h below.

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
h. "Cause" defined – non-curable defaults	Sections 11A(1-12)	Non-curable defaults include: material breach of confidentiality or noncompetition obligations; unauthorized transfer; material misrepresentation or omission of material fact in franchise application; felony conviction; default under another agreement.
i. Your obligations on termination/non-renewal	Section 12	Obligations include: forfeiture of right to develop; termination of limited exclusive rights in Development Territory; return of materials to ZIPS; continued observance of covenants; payment of amounts due ZIPS; forfeiture of Development Fee; no operation of business under any Mark or in any manner that suggests connection to ZIPS and its affiliates; and cease use of ZIPS materials.
j. Assignment of contract by us	Section 7	There are no restrictions on our right to assign.
k. "Transfer" by you-defined	Section 8A	Includes sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any interest in you, the Development Agreement, any Franchised Business, any site for any Franchised Business, or any other assets pertaining to your operations under the Development Agreement.
l. Our approval of transfer by you	Sections 8B and 8H	We have the right to approve transfers. Certain transfers may be undertaken without our prior approval.
m. Conditions for our approval of transfer	Sections 8B and 8C	Conditions include: simultaneous transfer to the same transferee of all Franchised Businesses operated by you within the Development Territory; qualified transferee; reasonable sales price; payment of amounts due; no default under any agreement with ZIPS or its affiliates; no default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Businesses or with any vendor or supplier to the Franchised Businesses; signed release (a copy of the current form of General Release is attached as Exhibit L); noncompetition agreements; payment of transfer fee; agreements signed; and execution of guarantee under the terms of which you will remain liable for all obligations to ZIPS incurred before the transfer date and for 2 years following the transfer.
n. Our right of first refusal to acquire your business	Section 8K	ZIPS can match any offer for your business.
o. Our option to purchase your business	Not applicable	
p. Your death or disability	Section 8G	Transfer must be completed within 180 days from the date of death or permanent disability.

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
q. Non-competition covenants during the term of the franchise	Section 10C	No interest in any business that offers dry cleaning or laundry services.
r. Non-competition covenants after the franchise is terminated or expires	Section 10C	No activity as described in q. above for 2 years within any development territory under a Development Agreement with ZIPS, within 25 miles of its border and within 25 miles of any then-existing ZIPS Dry Cleaners Business.
s. Modification of the agreement	Section 18	No modification generally without signed agreement, but ZIPS may modify the System and the Manuals.
t. Integration/merger clause	Section 18	Only the terms of the Development Agreement, the documents referred to in and the attachments to the Development Agreement are binding. Any other oral or written promises related to the subject matter of the Development Agreement may not be enforceable. Nothing in the Development Agreement is intended to disclaim our representations in this disclosure document.
u. Dispute resolution by arbitration or mediation	Section 19A(2)	Disputes must be submitted to non-binding mediation.
v. Choice of forum	Section 19B	Subject to state law, you can only file suit where our principal offices are located, and we may file suit in the jurisdiction where our principal offices are located, where you reside or do business, where the Development Territory or any Franchised Business is or was located or where the claim arose.
w. Choice of law	Section 19C	Subject to state law, Maryland law applies.

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 2A	10 years from the date that the Franchised Business opens.
b. Renewal or extension of the term	Section 2B	You can renew for two successive 5-year renewal terms.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
c. Requirements for you to renew or extend	Section 2B	In order to renew at the end of the Initial Term you must: give timely notice; pay all amounts owed to ZIPS and its affiliates; not be in default under any agreement with ZIPS or its affiliates; not be in default beyond the cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Business or with any vendor or supplier to the Franchised Business; remodel; comply with then-current requirements for new franchisees; attend any required training; written confirmation of right to remain in possession of the Franchised Location for the Renewal Term; sign general release (a copy of the current form of General Release is attached as Exhibit L); comply with training requirements; sign a new Franchise Agreement with us which may contain terms and conditions substantially different from your current Franchise Agreement; and pay a renewal fee.
d. Termination by you	Not applicable	
e. Termination by us without cause	Not applicable	
f. Termination by us with cause	Section 23	We may terminate upon default.
g. "Cause" defined-curable defaults	Sections 23A, 23B, 23C	You have 10 days to cure monetary defaults. You have 15 days to cure the following defaults: failed to obtain acceptance of a site by the Site Acceptance Deadline; beginning construction prior to acceptance of plans; fail to begin construction by Construction Commencement Date; failed to open by Opening Deadline; transfer without approval; and falsification of reports. You have 60 days to cure a default for failure to open after ZIPS authorizes opening. You have 120 days to cure the following defaults: insolvency; bankruptcy; execution levied on your business or property; and foreclosure. You have 30 days to cure all other defaults except those discussed in h below.
h. "Cause" defined – non-curable defaults	Sections 23A, 23B(3), 23C	Non-curable defaults include: closure of Franchised Business for more than 5 days; material breach of covenants; access any systems, software, databases, or other proprietary infrastructure of ZIPS without prior, written authorization by ZIPS ; material misrepresentation;; imminent danger to public health or safety; loss of possession of Franchised Location; felony conviction; breach of representation or warranty; default beyond cure period under other agreements with ZIPS or our affiliates; default after receipt of 2 or more notices of default within previous 12 months; and receipt of second consecutive failing score on an inspection.
i. Your obligations on termination/nonrenewal	Section 24	Obligations include: cease operating Franchised Business; pay amounts due; return Manuals; continue to observe covenants; discontinue use of the Marks; and complete de-identification of the Franchised Business.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
j. Assignment of contract by us	Section 19	There are no restrictions on our right to assign.
k. "Transfer" by you-defined	Section 20A	Includes sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any interest in you, the Franchise Agreement, the Franchise, the Franchised Business, the assets of the Franchised Business, the Franchised Location or any other asset pertaining to your operations under the Franchise Agreement.
l. Our approval of transfer by you	Sections 20B & 20H	We have the right to approve transfers. Certain transfers may be undertaken without our prior approval.
m. Conditions for our approval of transfer	Sections 20B& 20C	Conditions include: transferee qualified; reasonable sales price; payment of amounts due; no default on any agreement with ZIPS or our affiliates; no default beyond the applicable cure period on any real estate lease, equipment lease or financing instrument relating to the Franchised Business or with any vendor or supplier to the Franchised Business; signed release (a copy of the current form of General Release is attached as Exhibit L); execution of noncompetition agreement; transferee must complete training; transfer fee paid; agreements signed; and execution of guarantee under the terms of which you will remain liable for all obligations to ZIPS incurred before the transfer date and for 2 years following the transfer.
n. Our right of first refusal to acquire your business	Section 20K	We or our designee can match any offer for your business.
o. Our option to purchase your business	Section 25	We can purchase some or all of your assets upon expiration or earlier termination of the Franchise Agreement.
p. Your death or disability	Section 20G	Transfer must be completed within a reasonable time, not to exceed 180 days after the date of death or permanent disability.
q. Non-competition covenants during the term of the franchise	Section 22C	No diversion of any business or customer to any competitor; no employment or inducement to leave employment of any person employed by ZIPS or any developer or franchisee of ZIPS; no interest in any business that offers dry cleaning or laundry services.
r. Non-competition covenants after the franchise is terminated or expires	Section 22C	No interest in any business that offers dry cleaning or laundry services for 2 years within 25 miles of any development territory under a Development Agreement with ZIPS, the Protected Area, or any then-existing ZIPS Dry Cleaners Business. No diversion of any business or customer to any competitor and no employment or inducement to leave employment of any person employed by ZIPS or any developer or franchisee of ZIPS.
s. Modification of the agreement	Section 31	No modification generally without signed agreement, but ZIPS may modify the System and the Manuals.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
t. Integration/merger clause	Section 31	Only the terms of the Franchise Agreement, the Manuals, and the documents referred to in and the attachments to the Franchise Agreement are binding. Any other oral or written promises related to the subject matter of the Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim our representations in this disclosure document.
u. Dispute resolution by arbitration or mediation	Section 32A(2)	Disputes must be submitted to nonbinding mediation.
v. Choice of forum	Section 32B	Subject to state law, you can only file suit where our principal offices are located, and we may file suit in the jurisdiction where our principal offices are located, where you reside or do business, where the Franchised Business is or was located or where the claim arose.
w. Choice of law	Section 32C	Subject to state law, Maryland law applies.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise.

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 the 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.

Systemwide Historical Financial Performance Representation. Presented below are the average total revenue, average total cost of goods, average total gross margin and average cost of labor, rent, repairs and maintenance and utilities data for 49 ZIPS Dry Cleaners Businesses operated by franchisees during the period January 1, 2018 through December 31, 2019. All 49 Franchised Businesses were open and operating during the 24-month period January 1, 2018 to December 31, 2019. These Franchised Businesses are located in the District of Columbia, Maryland, Pennsylvania, Virginia, Texas, and California. Twelve Franchised Businesses are not included because they were not in operation for the entire period and two Franchised Businesses are not included because they did not provide financial detail for the entire year. This data was compiled from unaudited financial statements submitted to us by the Franchised Businesses. We believe the information is accurate, but we have not audited or verified the information and we cannot verify that the information was compiled using consistently

applied accounting principles. We have not included Franchised Businesses open for less than 24 months because, after a thorough review of all of our Franchised Businesses, we do not believe that those Franchised Businesses have matured enough to be reflective of systemwide norms. We believe that the appropriate expected ramp-up period for a Franchised Business is two years. We believe that the chart below is reasonable and not misleading.

SYSTEMWIDE ZIPS DRY CLEANERS BUSINESSES
Statement of Average Total Income, Total Cost of Goods,
Total Gross Profit and Total of Certain Costs
(During Period January 1, 2019 to December 31, 2019)

	Median	Average	Percentage of Total Income	Percentage of Businesses Above Average	Number of Businesses Above Average
Revenue[1]	$971,171	$1,114,681	100%	38.8%	19
Production Supplies[2]	$81,953	$94,210	8.5%	34.7%	17
Gross Margin[3]	916,375	$1,020,471	91.5%	38.8%	19
Labor[4]	$413,542	$458,576	41.1%	42.9%	21
Rent [5]	$116,810	$136,133	12.2%	40.8%	20
Repairs and Maintenance[6]	$18,333	$20,908	1.9%	38.8%	19
Utilities[7]	$40,451	$42,315	3.8%	42.9%	21
Income Before General and Administrative Expenses[8]	$347,168	$362,539	32.5%	42.9%	21

NOTES TO ITEM 19 TABLES:

1. **"Revenue" –** This figure is an average of all income and revenue from the sale of all services and products to customers less refunds to customers, discounts, and store value gift cards and gift certificates.

2. **"Production Supplies"** – The average Production Supplies includes the total costs of all services and products sold at ZIPS Dry Cleaners Businesses (such as alterations, supplies, leather costs, dry cleaning and laundry supplies, and waste disposal). These costs may vary from year to year, or within a year, due to fluctuations in the prices of supplies and/or materials, transportation costs and/or shipping costs.

3. **"Gross Margin"** – This figure represents the Revenue minus the Production Supplies.

4. **"Labor"** – The "Labor" includes salary, payroll taxes, wages, or benefits (including vacation pay) for management personnel and employees. Each ZIPS Dry Cleaners Business compensates its managers differently and may use varied formulas. Franchisees may compensate managers differently or may compensate one or more individual owners in lieu of one or more managers. You will set and pay compensation (and any benefits) for owners and management personnel at your Franchised Business at a rate you determine. Your benefits package to employees may include some, all, or none of the expenses incurred by the ZIPS Dry

Cleaners Businesses covered in this Item 19. The total amount of salaries for your employees and managers at a particular location will vary according to local wages, the number of employees, and the number of hours that the Franchised Business is open for business. You must make labor, wage, and benefit determinations based on your market, experience, and other factors.

5. **"Rent"** – This includes rent, property taxes and miscellaneous items. Rent consists of minimum rents, percentage rents, common area maintenance charges, and any sales or other taxes. Property Taxes are real estate taxes and assessments levied against the property upon which the business is located. The amount or rate of taxation varies from jurisdiction to jurisdiction and you should consult with your tax advisors regarding the impact that these taxes will have on this analysis.

6. **"Repairs and Maintenance"** – This includes equipment and facility repair and maintenance.

7. **"Utilities"** – This includes trash/dumpster and charges for water, gas and electric. The charges for water and trash/dumpster are included in either the Utilities category or the Rent category, depending upon whether such charges are payable under the terms of the lease for the particular ZIPS Dry Cleaners Business.

8. **"Income Before General and Administrative"** – This figure represents the Gross Margin minus Labor, Rent, Repairs and Maintenance, and Utilities as defined above.

* * *

Written substantiation for the financial performance representations will be made available to you upon reasonable request. Please carefully read all of the information in these financial performance representations, and all of the notes following the charts, in conjunction with your review of the historical data.

A NEW FRANCHISEE'S FINANCIAL RESULTS ARE LIKELY TO VARY FROM THE RESULTS STATED IN THE FINANCIAL PERFORMANCE REPRESENTATION.

You are strongly advised to perform an independent investigation of this opportunity to determine whether or not the franchise may be profitable and to consult your attorney, accountant, and other professional advisors before entering into any agreement with us. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. Our current and former franchisees may be one source of this information. You should construct your own business plan and pro forma cash flow statement, balance sheet, and statement of operations, and make your own financial projections regarding sales, revenues, costs, customer base, and business development for your Franchised Business.

A franchisee will incur other expenses of doing business which are likely to be significant, and which vary widely among franchisees. A franchisee will incur other expenses. For example, you will be required to pay certain fees to us including royalty fees and advertising fees. The additional categories of expenses which franchisees may incur include, but will not necessarily be limited to, the following: additional occupancy costs; franchisee compensation over and above that earned from the operations of the Franchised Business (such as a salary that a franchisee may pay to himself/herself); additional employee benefits; debt service; insurance; business and regulatory fees and licenses; ongoing and supplemental training expenses; recruitment expenses; and bookkeeping and other professional services.

Other than the preceding financial performance representation, we do 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 Drew Ritger, Chief Executive Officer, ZIPS Franchising, LLC, 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770, (301) 313-0389, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1 – Systemwide Outlet Summary
For Years 2017 - 2019[1]

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised Outlets	2017	45	51	+6
	2018	51	55	+4
	2019	55	63	+8
Company / Affiliate Owned Outlets[2]	2017	1	2	+1
	2018	2	2	0
	2019	2	2	0
Total Outlets	**2017**	**46**	**53**	**+7**
	2018	**53**	**57**	**+4**
	2019	**57**	**65**	**+8**

Table No. 2 – Transfers of Outlets from Franchisees to New Owners
(Other than Franchisor or Franchisor's Affiliate)
For Years 2017 - 2019[1] [2]

State	Year	Number of Transfers
Maryland	2017	1
	2018	0
	2019	0
Virginia	2017	1
	2018	1
	2019	0
Pennsylvania	2017	0
	2018	0
	2019	1
Total	**2017**	**2**
	2018	**1**
	2019	**1**

Table No. 3 – Status of Franchised Outlets
For Years 2017 - 2019[1][2]

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by ZIPS	Ceased Operations – Other Reasons [4]	Outlets at End of Year [5]
California	2017	0	2	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	1	0	0	0	0	3
District of Columbia	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Florida	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Illinois	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Indiana	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	2	0	0	0	0	2
Maryland	2017	23	3	0	0	0	0	26
	2018	26	1	0	0	0	0	27
	2019	27	1	0	0	0	0	28
Ohio	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Oregon	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Pennsylvania	2017	7	0	0	0	0	0	7
	2018	7	0	0	0	0	0	7
	2019	7	1	0	0	0	0	8
Texas	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Virginia	2017	13	0	0	0	0	0	13
	2018	13	1	0	0	0	0	14
	2019	14	0	0	0	0	0	14

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by ZIPS	Ceased Operations – Other Reasons [4]	Outlets at End of Year [5]
Total	**2017**	**45**	**6**	**0**	**0**	**0**	**0**	**51**
	2018	**51**	**4**	**0**	**0**	**0**	**0**	**55**
	2019	**55**	**8**	**0**	**0**	**0**	**0**	**63**

Table No. 4 – Status of Company / Affiliate-Owned Outlets

For Years 2017 - 2019[1]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year[3]
Maryland	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
Virginia	2017	0	1	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
Total	**2017**	**1**	**1**	**0**	**0**	**0**	**2**
	2018	**2**	**0**	**0**	**0**	**0**	**2**
	2019	**2**	**0**	**0**	**0**	**0**	**2**

Table No. 5 – Projected Openings
As Of December 31, 2019

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets In Next Fiscal Year	Projected Company / Affiliate Owned Business Openings in Next Fiscal Year
California	1	0	0
Florida	0	1	0
Georgia	1	1	0
Illinois	0	1	0
Indiana	0	1	0
Maryland	2	2	0
New Mexico	1	2	0
Ohio	0	0	0
Oregon	0	1	0
Pennsylvania	1	2	0
Texas	2	2	0

Virginia	1	2	0
Total	**9**	**15**	**0**

NOTES TO ITEM 20 TABLES:

(1) The numbers for 2017 to 2019 are as of December 31, 2017, December 31, 2018, and December 31, 2019, respectively. States not included had no ZIPS Dry Cleaners Businesses operating during 2017, 2018 and 2019.

(2) If multiple events occurred affecting an outlet, the tables show the event that occurred last in time.

(3) Exhibit M includes a list of franchisees who had a Franchised Business terminated, canceled, not renewed or otherwise voluntarily or involuntarily (including through transfer) ceased to do business under a franchise agreement during fiscal year 2019 or failed to communicate 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.

(4) Exhibit M includes a list of the franchised businesses, developers and former franchisees as of December 31, 2019.

* * * *

During our last three fiscal years, we have signed confidentiality clauses with current or former franchisees which would restrict their ability to speak openly with you about their experience with us. We are not aware of any trademark-specific franchisee organizations associated with the System and no independent franchisee organizations have asked to be included in this disclosure document.

We are not aware of any franchisee association regardless of whether they use our marks.

We may establish a franchisee referral program. We may provide monetary or other compensation or consideration to an existing franchisee who refers to us a qualified prospective franchisee who eventually becomes a franchisee under the System. However, our existing franchisees are not sales representatives or sales agents for us.

ITEM 21

FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit I are the balance sheets as of December 31, 2019 and December 31, 2018 and statements of operations and members' equity, and cash flows for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 of VDA, all of which have been audited by an independent auditor using generally accepted United States auditing standards.

You have not been provided with our financial statements; therefore, you do not have knowledge of how we have performed financially. However, VDA has agreed absolutely and unconditionally to guarantee to assume our duties and obligations under the franchise

agreements we enter, should we become unable to perform our duties and obligations. A copy of VDA's guarantee is included with Exhibit I.

ITEM 22

CONTRACTS

The following agreements related to a Franchised Business are attached as exhibits to this disclosure document:

Exhibit C	Development Agreement
Exhibit D	Franchise Agreement
Exhibit E	Confidentiality and Noncompetition Agreements
Exhibit F	Compliance Questionnaire
Exhibit G	ZIPSsoft Software License Agreement
Exhibit H	ZIPSsoft Software Service Agreement
Exhibit K	State-Specific FDD and Agreement Addenda
Exhibit L	General Release

We also require that you fill out our Compliance Questionnaire before signing the Development and/or Franchise Agreements. The current form of Compliance Questionnaire is attached as Exhibit F.

ITEM 23

RECEIPTS

The last two pages of this disclosure document are detachable receipt pages. Please sign and date each of them as of the date you received this disclosure document and return one copy to us.

EXHIBIT A
LIST OF STATE ADMINISTRATORS

EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA California Business Oversight Commissioner Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 876-7500 Toll Free: (866) 275-2677	**NEW YORK** New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236 Phone
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Department of Business Regulation Securities Division Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Director, Securities and Retail Franchising Div. State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051
MICHIGAN G. Mennen Williams Building, 7th Floor 525 W. Ottawa St. P.O. Box 30212 Lansing, MI 48909 (517) 373-7117	**WASHINGTON** Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296-4026	**WISCONSIN** Office of the Commissioner of Securities 201 W. Washington Ave., Suite 300, Madison, WI 53703 (608) 261-9555

EXHIBIT B
AGENTS FOR SERVICE OF PROCESS

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT
AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA California Business Oversight Commissioner 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	**NEW YORK** Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Commissioner 600 Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director of Department of Business Regulation Department of Business Regulation Securities Division Bldg. 69, First Floor, John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Dept. of Energy, Labor, & Economic Growth Corporations Division P.O. Box 30054 Lansing, Michigan 48909 7150 Harris Drive Lansing, Michigan 48909 (517) 373-7117	**WASHINGTON** Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296-4026	**WISCONSIN** Wisconsin Commissioner of Securities Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300, Madison, WI 53703 (608) 261-9555

EXHIBIT C
DEVELOPMENT AGREEMENT

ZIPS® DRY CLEANERS DEVELOPMENT AGREEMENT

ZIPS® DRY CLEANERS DEVELOPMENT AGREEMENT
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ZIPS® DRY CLEANERS DEVELOPMENT AGREEMENT

THIS AGREEMENT is made as of _____ by and between ZIPS Franchising, LLC ("ZIPS"), a Maryland limited liability company, and _____, a(n) _____ [type of entity] formed in _____ _____ [jurisdiction] ("Developer").

RECITALS

ZIPS owns, and has expended a considerable amount of time, skill, effort and money to develop, a unique and distinctive proprietary system ("System") relating to the development, establishment and operation of dry cleaning and laundry services businesses ("ZIPS Dry Cleaners Businesses"), which feature an on-premises physical plant, equipment, competitive flat rate pricing structure, same day service, open floor plan, and highly efficient, integrated production process for dry cleaning and laundry services.

The distinguishing characteristics of the System include, without limitation, uniform and distinctive building designs, interior and exterior layout and trade dress; standards and specifications for equipment, equipment layouts and supplies; operating procedures; and methods and techniques for dry cleaning and laundry services, cost controls, recordkeeping and reporting, personnel management, purchasing, sales, promotion and advertising. ZIPS may change, improve and further develop the System and its components from time to time.

ZIPS' parent company, Value Drycleaners of America, LLC ("Value Drycleaners") owns all right, title and interest in the names "ZIPS Dry Cleaners®" and "ZIPS®" and the other names, trademarks, service marks, logos, insignias, slogans, emblems, symbols and designs (collectively, "Marks") used in connection with the operation of ZIPS Dry Cleaners Businesses. Value Drycleaners and ZIPS have entered into a trademark license agreement pursuant to which ZIPS has the right to use and license others to use the Marks.

ZIPS identifies the System by means of certain Marks that ZIPS has designated, or may in the future designate, for use with the System. ZIPS may modify the Marks to be used with the System from time to time.

Subject to the terms and conditions of this Agreement, Developer desires to be granted the opportunity to develop franchised ZIPS Dry Cleaners Businesses ("Franchised Businesses") in the limited geographic area described in attached Appendix A ("Development Territory").

Developer understands and acknowledges the importance of ZIPS' high and uniform standards of quality, operations and service and the necessity of developing the Franchised Businesses in strict conformity with this Agreement.

ZIPS is willing to grant Developer the opportunity to develop ZIPS Dry Cleaners Businesses in the Development Territory, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of ZIPS' grant to Developer of the right to develop Franchised Businesses in the Development Territory during the Development Term (as defined in Section 1), as well as the other mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEVELOPMENT TERM

The term of this Agreement ("Development Term") begins on the date that ZIPS signs this Agreement and expires on the earlier of: **(A)** the date the last Franchised Business identified in the Development Schedule (as defined in Section 3A) actually opens for business; or **(B)** the Opening Deadline (defined in Section 3A) for the last Franchised Business as set forth in the Development Schedule, unless terminated earlier pursuant to Section 11. There is no renewal term for this Agreement.

2. DEVELOPMENT RIGHTS

A. Grant. Subject to the terms, conditions, provisions and limitations of this Agreement, ZIPS hereby grants to Developer the right to develop Franchised Businesses in the Development Territory during the Development Term. Each Franchised Business shall be located in the Development Territory at a specific site accepted by ZIPS.

B. Limited Exclusive Rights. Provided that Developer is in compliance with the terms of this Agreement and any other agreements with ZIPS or its affiliates and is current on all obligations due ZIPS and its affiliates, during the Development Term, ZIPS will not operate or license others to operate ZIPS Dry Cleaners Businesses in the Development Territory. These restrictions apply only to ZIPS and do not apply to ZIPS Dry Cleaners Businesses under development or in operation in the Development Territory as of the date of this Agreement.

C. Rights Reserved to ZIPS. During the Development Term, nothing in this Agreement shall prohibit ZIPS from:

(1) Operating and/or licensing others to operate, businesses in the Development Territory identified in whole or in part by the Marks and/or utilizing the System that are located in hotels or any similar captive market location; provided however, to the extent permitted pursuant to the agreement allowing ZIPS or another party to operate businesses in the Development Territory identified in whole or in part by the Marks and/or utilizing the System that are located in hotels or any similar captive market location, ZIPS shall permit (i) Developer or the franchisee to operate such businesses in the Development Territory or (ii) permit Developer or the franchisee to operate the processing plant for such business. ZIPS is to have the right to decide which option Developer or the franchisee shall have and shall notify Developer of such option. Developer shall notify ZIPS within fifteen (15) days after ZIPS provides notice to Developer of the business opportunity contemplated;

(2) Awarding national, regional or local licenses to third parties to sell services under the Marks in facilities in the Development Territory, provided that those facilities are identified by the third party's trademark; provided however, to the extent permitted pursuant to the agreement awarding national, regional or local licenses to third parties to sell services under the Marks in facilities in the Development Territory, ZIPS shall permit (i) Developer or the franchisee to provide such services in such facilities in the Development Territory or (ii) permit Developer or the franchisee to operate the processing plant for such business. ZIPS is to have the right to decide which option Developer or the franchisee shall have and shall notify Developer of such option. Developer shall notify ZIPS within fifteen (15) days after ZIPS provides notice to Developer of the business opportunity contemplated; provided further, however, that if Developer is not permitted to provide such services pursuant to such agreement, ZIPS will not approve or otherwise permit any signage or other materials displaying the Marks to be permanently displayed on the exterior of such facility or in any area adjacent thereto;

(3) Selling, merchandising and distributing services or products identified by the Marks or by any other name or mark through any method or channel of distribution (including the Internet, wholesale, mail order and catalogs) other than through the operation of a business to any location including to locations within the Development Territory;

(4) Selling and/or distributing services and products identified by the Marks to businesses in the Development Territory, provided that those businesses are not licensed to use the Marks in connection with retail sales;

(5) Operating and/or licensing others to operate businesses identified in whole or in part by the name "ZIPS®" at any location outside of the Development Territory;

(6) Operating and/or licensing others to operate, at any location any type of business other than a business identified in whole or in part by the name and mark "ZIPS®";

(7) Operating, and licensing others to operate, after this Agreement terminates or expires, ZIPS Dry Cleaners Businesses at any location (including within the Development Territory);

(8) Developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks licensed to Developer; and

(9) Purchasing, being purchased by, merging with or combining with businesses that directly or indirectly compete with ZIPS Dry Cleaners Businesses.

D. Development Rights Only. This Agreement is not a license or a franchise agreement, nor does it give Developer any right to operate, or license others to operate, ZIPS Dry Cleaners Businesses or to use, or license others to use, the System. For each Franchised Business that Developer develops and opens pursuant to the terms of this Agreement, Developer must sign a Franchise Agreement and develop and operate that Franchised Business pursuant to the terms of that Agreement.

3. DEVELOPMENT SCHEDULE

A. Development Obligations. During the Development Term, Developer shall develop, open and continuously operate in the Development Territory the number of Franchised Businesses specified in the Development Schedule in Appendix B. For each Franchised Business developed pursuant to this Agreement, Developer shall obtain ZIPS' written acceptance of a site for that Franchised Business by the applicable deadline for site acceptance set forth in the Development Schedule ("Site Acceptance Deadline") and shall open that Franchised Business by the applicable deadline for opening set forth in the Development Schedule ("Opening Deadline"). Developer acknowledges that strict compliance with the Development Schedule (including each Site Acceptance Deadline and Opening Deadline) is essential to this Agreement and that any failure to comply with the Development Schedule (including any Site Acceptance Deadline or Opening Deadline) shall constitute a material, non-curable breach of this Agreement permitting ZIPS to terminate this Agreement by giving Developer written notice of termination without an opportunity to cure.

B. Issuance of Franchise Agreement. Within thirty (30) days of Developer's receipt of a Franchise Agreement from ZIPS for the accepted site, the following shall occur:

(1) Developer shall execute a Franchise Agreement for each Franchised Business to be developed hereunder. Notwithstanding the foregoing, ZIPS, in its sole discretion, may permit one or more Franchise Agreements to be executed by entities other than Developer; provided that (a) Continuity Group owns a controlling ownership interest in the franchisee entity; (b) ZIPS approves the ownership structure of, and each owner of more than twenty-five percent (25%) direct or indirect equity interest in, the franchisee entity; and (c) the Developer, or all members of the Continuity Group, executes a guarantee, guarantying to ZIPS the timely payment and performance of the franchisee's obligations under the Franchise Agreement. The Franchise Agreement for the first (1st) Franchised Business developed hereunder shall be executed concurrently with the execution of this Agreement, and the Franchise Agreement for each additional Franchised Business developed hereunder shall be the form of Franchise Agreement being offered generally by ZIPS at the time each such Franchise Agreement is executed. The initial franchise fee for the each Franchise Agreement shall be Thirty Thousand Dollars ($30,000); and

(2) Developer, and each franchisee operating a Franchised Business operating as a result of franchised businesses being developed pursuant to this Agreement, shall execute a general release and a covenant not to sue, in a form satisfactory to ZIPS, of any and all claims against ZIPS and its affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement and any other agreements between Developer and ZIPS or its affiliates and all other dry cleaning and laundry services businesses operated by Developer that are franchised by ZIPS or its affiliates.

C. Sale of Franchised Business. During the Development Term, if Developer sells a Franchised Business that was developed pursuant to this Agreement, that Franchised Business will continue to be counted as a Franchised Business for the purpose of meeting Developer's obligations under the Development Schedule, provided that the sale has been approved by ZIPS and so long as that dry cleaning and laundry services business continues to be operated pursuant to a franchise agreement with ZIPS or its affiliates.

4. DEVELOPMENT FEE

No later than the date that Developer executes this Agreement, Developer shall pay ZIPS a development fee equal to $10,000 for each Franchised Business that Developer has agreed to develop in the Development Territory during the Development Term ("Development Fee"). The total amount of the Development Fee is set forth in Appendix B. Developer acknowledges and agrees that the Development Fee is fully earned by ZIPS when paid and it is not refundable.

5. INSURANCE

Developer is responsible for all loss or damage arising from or related to the development and operation of each Franchised Business and all demands or claims with respect to any loss, liability, personal injury, death, property damage or expense occurring upon the premises of, or arising from the development and/or operation of, each Franchised Business. Developer shall maintain in full force and effect that insurance that Developer determines is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of each Franchised Business, which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by the Franchise Agreement for each Franchised Business.

6. ORGANIZATION AND MANAGEMENT OF DEVELOPER

A. Representations.

(1) If Developer is a business entity, Developer makes the following representations and warranties: **(a)** it is duly organized and validly existing under the laws of the state of its formation; **(b)** it is qualified to do business in the state or states in which the Development Territory is located; **(c)** execution of this Agreement and the acquisition, development and operation of Franchised Businesses is permitted by the governing documents; and **(d)** Developer's governing documents shall, at all times, provide that the activities of Developer are limited exclusively to the acquisition, development and operation of dry cleaning and laundry services businesses franchised by ZIPS or its affiliates. Developer shall not use the name "ZIPS®" or any Marks in Developer's entity name.

(2) If Developer is an individual, or a partnership comprised solely of individuals, Developer makes the following representations and warranties: **(a)** each individual has executed this Agreement; **(b)** each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and **(c)** notwithstanding any transfer for convenience of ownership pursuant to Section 8.D, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement.

(3) Developer shall identify in Appendix B any competitive business or any other businesses that Developer and/or Development Principal own an interest in, actively manage, operate, or otherwise are involved with on a day to day basis and provide a description of the ownership interest or management role with that business. During the Term, Developer shall provide updated information relating to Developer's and/or Development Principal's ownership interests and/or management role with regard to any other businesses.

B. Governing Documents. If Developer is a business entity, Developer shall submit to ZIPS copies of all governing documents and shall make any changes to the governing documents as requested by ZIPS. (By way of example, if Developer is a corporation, Developer shall submit copies of its Articles of Incorporation, bylaws, other governing documents and any amendments, including the resolution of the Board of Directors authorizing entry into and performance of this Agreement, and all shareholder agreements, including buy/sell agreements.) When any of these governing documents are modified or changed, Developer promptly shall provide copies to ZIPS.

C. Ownership Interests. If Developer is a business entity, all interests in Developer are owned as set forth in attached Appendix C. During the Development Term, Developer shall maintain a current list of all legal or beneficial owners (including the interest held by each owner) and, prior to any change in ownership interests, Developer shall execute addenda to Appendix C to ensure the information contained in Appendix C is true, accurate and complete at all times. If any interest in Developer is owned by another business entity, Developer shall provide to ZIPS the information and documentation for that entity as required by this Section 6.

D. Restrictive Legend. If Developer is a business entity, Developer shall maintain stop-transfer instructions on its ownership records. Each ownership interest shall be endorsed as follows: "Any assignment or transfer of this interest is subject to the restrictions imposed on assignment by the agreements with ZIPS Franchising, LLC."

E. Continuity Group. If Developer is a business entity, Appendix C lists those persons whom ZIPS and Developer have designated as Developer's "Continuity Group." The Continuity Group shall at all times own at least 51% of the interests in Developer. In the event of any change in the Continuity Group or in the ownership interests of any member of the Continuity Group, Developer shall execute addenda to Appendix C to reflect the change.

F. Guarantees

(1) All members of the Continuity Group and all of Developer's officers, directors and 10% Owners (and their respective spouses) shall jointly and severally guarantee Developer's payment and performance under this Agreement and shall bind themselves to the terms of this Agreement pursuant to the attached Guarantee and Assumption of Developer's Obligations ("Guarantee"). ZIPS may require any guarantor to provide personal financial statements to ZIPS from time to time.

(2) With respect to the 10% Owners, Developer acknowledges that it is ZIPS' intent to have individuals (and not business entities) execute the Guarantee. If any 10% Owner is not an individual, ZIPS may require the individuals with only an indirect ownership interest in Developer to sign the Guarantee. (By way of example, if a 10% Owner of Developer is a corporation, ZIPS may require that the Guarantee be executed by individuals who have an ownership interest in that corporation.)

(3) If Developer, any guarantor or any parent, subsidiary or affiliate of Developer holds any interest in other dry cleaning and laundry services business that is franchised by ZIPS or its affiliates, the party who owns that interest shall execute, concurrently with this Agreement, a form of cross-guarantee to ZIPS and its affiliates for the payment of all obligations for such businesses. For purposes of this Agreement, an affiliate of Developer is any company controlled, directly or indirectly, by Developer or Developer's parent or subsidiary.

G. Development Principal. If Developer is owned by more than one individual, Developer shall designate and retain an individual to serve as the Development Principal. The Development Principal, as of the date of this Agreement, is identified in Appendix C. The Development Principal shall meet all of the following qualifications:

(1) The Development Principal, at all times, shall have an equity ownership interest in Developer.

(2) The Development Principal, at all times, shall be a member of the Continuity Group and, at a minimum, have full control over the day-to-day development of the Franchised Businesses.

(3) The Development Principal shall devote full-time and best efforts to supervising the development of the Franchised Businesses and other dry cleaning and laundry services businesses operated by Developer that are franchised by ZIPS or its affiliates and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility.

(4) The Development Principal shall successfully complete and be certified in any training required by ZIPS.

(5) The Development Principal must maintain a primary residence within a reasonable driving distance of the Development Territory.

(6) ZIPS shall have approved the Development Principal, and not have later withdrawn that approval.

If the Development Principal no longer qualifies as such, Developer shall designate another qualified person to act as Development Principal within 30 days after the date the prior Development Principal ceases to be qualified. Developer's designee to become the Development Principal must successfully complete any training required by ZIPS. Following ZIPS' approval of a new Development Principal, that person shall execute the attached form of Guarantee.

H. ZIPS shall have the right to require Developer to employ one (1) or more district managers ("District Managers") to supervise the day to day operations of Developer's Franchised Businesses, if Developer (and/or an affiliate of Developer) operates three (3) or more Franchised Businesses. Any District Manager(s) shall be required to attend and successfully complete (to ZIPS' reasonable satisfaction) such training course as ZIPS may reasonably require.

7. TRANSFERS BY ZIPS

ZIPS shall have the absolute, unrestricted right, exercisable at any time, to transfer and assign all or any part of its rights and obligations under this Agreement to any person or legal entity without the consent of Developer.

8. TRANSFERS BY DEVELOPER

A. Consent Required. Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer that ZIPS has entered into this Agreement in reliance on Developer's business skill, financial capacity, personal character, experience and demonstrated or purported ability in developing and operating high quality dry cleaning and laundry services operations. Neither Developer nor any immediate or remote successor to any part of Developer's interest in this Agreement, nor any individual or legal entity that directly or indirectly controls Developer shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in Developer, this Agreement, any Franchised Business, any site for a Franchised Business or any other assets pertaining to Developer's operations under this Agreement (collectively, "Transfer") without the prior written consent of ZIPS. Except as otherwise provided in this Agreement, any purported Transfer, by operation of law or otherwise, not having the prior written consent of ZIPS shall be null and void and shall constitute a material breach of this Agreement, for which ZIPS may terminate this Agreement without providing Developer an opportunity to cure the breach. If Developer does not propose to Transfer the same interest with respect to all agreements (including any Franchise Agreement) with ZIPS that relate to Developer's operations in the Development Territory, ZIPS may withhold consent to any Transfer, without consideration of the factors listed in Section 8B.

B. Transfer Considerations. Developer shall advise ZIPS in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, and submit a copy of all contracts, agreements or proposals and all other information requested by ZIPS relating to the proposed Transfer. Developer shall not advertise the sale of any interest in any manner without ZIPS' prior written consent. If ZIPS does not exercise its right of first refusal (as described in Section 8K), the decision as to whether or not to approve a proposed Transfer shall be made by ZIPS in its sole discretion and shall include

numerous factors deemed relevant by ZIPS. These factors may include, but will not be limited to, the following:

(1) The proposed transferee (and if the proposed transferee is other than an individual, such owners of an interest in the transferee as ZIPS may request) must demonstrate that it has extensive experience in high quality dry cleaning and laundry services operations of a character and complexity similar to ZIPS Dry Cleaners Businesses; must meet the managerial, operational, experience, quality, character and business standards for a developer promulgated by ZIPS from time to time; must possess a good character, business reputation and credit rating; must have an organization whose management culture is compatible with ZIPS' management culture; and must have adequate financial resources and working capital to meet Developer's development obligations under this Agreement.

(2) All of Developer's accrued monetary obligations to ZIPS and its affiliates (whether arising under this Agreement or otherwise) and all other outstanding obligations related to the Franchised Businesses (including, but not limited to, bills from suppliers, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied or, in the reasonable judgment of ZIPS, adequately provided for. ZIPS reserves the right to require that a reasonable sum of money be placed in escrow to ensure that all of these obligations are satisfied.

(3) Developer is not then in material default of any provision of this Agreement or any other agreement between Developer and ZIPS or its affiliates, is not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Businesses and is not in default beyond the applicable cure period with any vendor or supplier to the Franchised Businesses.

(4) Developer, all individuals who executed this Agreement and all guarantors of Developer's obligations must execute a general release and a covenant not to sue, in a form satisfactory to ZIPS, of any and all claims against ZIPS and its affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement and any other agreements between Developer and ZIPS or its affiliates and all other dry cleaning and laundry services businesses operated by Developer that are franchised by ZIPS or its affiliates.

(5) The transferor and/or all guarantors must sign a non-competition covenant, in form and substance satisfactory to ZIPS, in favor of ZIPS and the proposed transferee agreeing that, for a 2 year period, starting on the effective date of the Transfer, the transferor and/or all guarantors will not directly or indirectly, such as through members of their immediate family members (including a spouse, parent, sibling, or child, whether natural or adopted) own any legal or beneficial interest in, or render services or give advice to, any Competitive Business (as defined in Section 10.C.(2)(c)) within 25 miles of: (i) the border of the Development Territory, (ii) of any development territory under a development agreement with ZIPS, (iii) of any site accepted by ZIPS for a Franchised Business, or (iv) of any then-existing ZIPS Dry Cleaners Business.

(6) The transferee shall complete any training program required by ZIPS. ZIPS reserves the right to charge the transferee a tuition fee for each person who attends such training programs.

ZIPS' decision with respect to a proposed Transfer shall not create any liability on the part of ZIPS: **(a)** to the transferee, if ZIPS approves the Transfer and the transferee experiences

financial difficulties; or **(b)** to Developer or the proposed transferee, if ZIPS disapproves the Transfer pursuant to this Section 8 or for other legitimate business purposes. ZIPS, without any liability to Developer or the proposed transferee, has the right, in its sole discretion, to communicate and counsel with Developer and the proposed transferee regarding any aspect of the proposed Transfer.

C. Transfer Procedures. If ZIPS approves a proposed Transfer, prior to the Transfer becoming effective:

(1) The transferor shall pay ZIPS a nonrefundable Transfer fee in the amount of $10,000 in connection with ZIPS' review of the Transfer application.

(2) Developer and the proposed transferee shall execute, at ZIPS' election, either an assignment agreement and any amendments to this Agreement deemed necessary or desirable by ZIPS to reflect the Transfer or ZIPS' then-current standard form of development agreement. In either event, a guarantee of the type required by Section 6F shall be executed by those individuals identified in Section 6F.

(3) The transferor shall remain liable for all obligations to ZIPS incurred before the date of the Transfer and for a 2 year period following the effective date of the Transfer. The transferor shall execute any and all instruments reasonably requested by ZIPS to evidence that liability.

(4) The transferor and the transferee shall sign such other documents and take such other actions as ZIPS may require to protect its rights under this Agreement.

D. Transfer for Convenience. If Developer is an individual or a partnership and desires to Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership, the requirements of Sections 8B and 8C shall apply to such a Transfer, however, Developer will not be required to pay a Transfer fee. ZIPS' approval also will be conditioned on the following: **(1)** the corporation or limited liability company must be newly organized; **(2)** prior to the Transfer, the transferee shall comply with the requirements set forth in Section 6 including providing to ZIPS copies of all governing documents specified in Section 6B; and **(3)** Developer must own all voting securities of the corporation or membership interests of the limited liability company or, if Developer is owned by more than one individual, each person shall have the same proportionate ownership interest in the corporation or the limited liability company as prior to the Transfer.

E. Stock Options. Notwithstanding the provisions of Section 8B, the issuance of options or the exercise of options pursuant to a qualified stock option plan or a qualified employee stock ownership plan shall not be considered a Transfer and shall not require ZIPS' prior written approval; provided no more than a total of 49% of Developer's outstanding voting securities are subject to the qualified stock option plan or qualified employee stock ownership plan.

F. Publicly-Held Entity. If Developer was a publicly-held entity as of the date of the first franchise-related agreement between Developer and ZIPS or its affiliates, Section 8B shall be applicable to transfers of ownership interests in Developer only if the proposed Transfer would result in either: **(1)** 50% or more of Developer's voting securities being held by different shareholders than as of the date of the first franchise-related agreement between Developer and ZIPS or its affiliates; or **(2)** any change in ownership of Developer's voting securities whereby any existing shareholder of Developer acquires an additional 10% or more of Developer's voting

securities; or **(3)** any change in the membership of the Continuity Group (unless such change is a permitted Transfer pursuant to Section 8H).

G. Death/Incapacity. If the Transfer is a transfer of ownership interests in Developer following the death or permanent incapacity of a person with an ownership interest in Developer, Sections 8B and 8C(2) shall be applicable to that Transfer, and the Transfer must be completed within 180 days after the death or permanent incapacity of the person.

H. Permitted Transfers. Notwithstanding the provisions of Section 8B, ZIPS agrees that, if the Transfer is a transfer of an ownership interest in Developer of 10% or less and after the Transfer, the Continuity Group continues to own at least 51% of Developer's ownership interests, that Transfer shall be permitted without ZIPS' prior written approval, provided that: **(1)** Developer provides ZIPS written notice of its intent to undertake the Transfer at least 30 days prior to the effective date of the Transfer, together with documents demonstrating that the Transfer complies with this Section; **(2)** at the time of Developer's notice to ZIPS, Developer shall not be in default of this Agreement or any other agreements between Developer and ZIPS or its affiliates; and **(3)** in connection with the Transfer, all persons who will have an ownership interest in Developer after the Transfer fully comply with the requirements of Section 6.

I. Security Interests. Developer shall not grant any security interest in its business, any Franchised Business or the assets used in the operation or development of any Franchised Business without ZIPS' prior written approval. ZIPS' approval may be conditioned, in its sole discretion, on the written agreement by the secured party that, in the event of a default by Developer under any agreement related to the security interest, ZIPS shall have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of all sums then due to the secured party.

J. Public Offerings. Securities or partnership interests in Developer may be sold, by private or public offering, only with ZIPS' prior written consent (whether or not ZIPS' consent is required under any other provision of this Section). In addition to the requirements of Section 8B, prior to the time that any public offering or partnership interests in Developer is made available to potential investors, Developer, at its expense, shall deliver to ZIPS a copy of the offering documents. Developer, at its expense, also shall deliver to ZIPS an opinion of Developer's legal counsel and an opinion of one other legal counsel selected by ZIPS (both of which shall be addressed to ZIPS and in a form acceptable to ZIPS) that the offering documents properly use the Marks and accurately describe Developer's relationship with ZIPS and/or its affiliates. The indemnification provisions of Section 14 shall also include any losses or expenses incurred by ZIPS and its affiliates in connection with any statements made by or on behalf of Developer in any public offering of Developer's securities.

K. Right of First Refusal

(1) If any party holding any interest in Developer or in this Agreement receives a bona fide offer (as determined by ZIPS in its reasonable discretion) from a third party or otherwise desires to undertake any Transfer that would require ZIPS' approval (other than a Transfer for convenience of ownership pursuant to Section 8D), it shall notify ZIPS in writing of the terms of the proposed Transfer, and shall provide such information and documentation relating to the proposed Transfer as ZIPS may reasonably require. ZIPS or its designee may elect to purchase the interest that the seller proposes to Transfer any time within 30 days after receipt of written notification, and all documents and other information required by Section 8B, by sending written notice to the seller that ZIPS or its designee intends to purchase the seller's

interest on the same financial terms and conditions offered by the third party (except that ZIPS or its designee shall not be obligated to pay any finder's or broker's fees). In purchasing the interest, ZIPS or its designee shall be entitled to set off any monies owed to ZIPS or its affiliates by Developer and ZIPS or its designee shall be entitled to all customary representations and warranties that the assets are free and clear (or, if not, accurate and complete disclosure) as to: **(a)** ownership, condition and title; **(b)** liens and encumbrances; **(c)** environmental and hazardous substances; and **(d)** validity of contracts inuring to the purchaser or affecting the assets, whether contingent or otherwise.

(2) If the offer to Developer involves assets in addition to this Agreement, the Franchised Businesses and other dry cleaning and laundry services businesses operated by Developer that are franchised by ZIPS or its affiliates, Developer's notice to ZIPS shall state the cash value of that portion of the offer received by Developer relating to this Agreement and those businesses. If the proposed offer provides for payment of consideration other than cash or it involves intangible benefits, ZIPS or its designee may elect to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties are unable to agree within 30 days on the reasonable equivalent in cash of the non-cash part of the offer received by Developer, or the cash value of that portion of the offer received by Developer relating to this Agreement, the Franchised Businesses and those other businesses, the amount shall be determined by two professionally certified appraisers, Developer selecting one and ZIPS or its designee selecting one. If the higher appraisal is more than 10% greater than the other appraisal, the two appraisers shall select a third professionally certified appraiser who also shall determine the amount. The average value set by the appraisers (whether two or three appraisers as the case may be) shall be conclusive and ZIPS or its designee may exercise its right of first refusal within 30 days after being advised in writing of the decision of the appraisers. The cost of the appraisers shall be shared equally by the parties.

(3) ZIPS' failure to exercise its right of first refusal shall not constitute approval of the proposed Transfer or a waiver of any other provision of this Section 8 with respect to a proposed Transfer. If ZIPS does not exercise its right of first refusal, Developer may not thereafter Transfer the interest at a lower price or on more favorable terms than those that have been offered to ZIPS. ZIPS shall again be given a right of first refusal if a transaction does not close within 4 months after ZIPS elected not to exercise its right of first refusal. In no event shall Developer offer the interest for sale or transfer at public auction, nor at any time shall an offer be made to the public to sell, transfer or assign, through any advertisement, either in the newspapers or otherwise, without first having obtained ZIPS' written approval.

L. No Waiver. ZIPS' consent to any Transfer shall not constitute a waiver of any claims ZIPS may have against the transferring party, nor shall it be deemed a waiver of ZIPS' right to demand exact compliance with any of the terms of this Agreement by the transferee, nor will it be deemed a waiver of ZIPS' right to give or withhold approval to future Transfers.

9. GENERAL RELEASE

INTENTIONALLY DELETED

10. COVENANTS

A. Best Efforts. Developer and, if applicable, the Development Principal shall devote full time, energy, and best efforts to the development, management and operation of the Franchised Businesses in the Development Territory.

B. Confidentiality Restrictions

(1) Developer acknowledges and agrees that: **(a)** ZIPS owns all right, title and interest in and to the System; **(b)** the System consists of trade secrets and confidential and proprietary information and know-how that gives ZIPS a competitive advantage; **(c)** ZIPS has taken all measures necessary to protect the trade secrets and the confidentiality of the proprietary information and know-how comprising the System; **(d)** all material or other information now or hereafter provided or disclosed to Developer regarding the System is disclosed in confidence; **(e)** Developer has no right to disclose any part of the System to anyone who is not an employee of Developer; **(f)** Developer will disclose to its employees only those parts of the System that an employee needs to know; **(g)** Developer will have a system in place to ensure its employees keep confidential ZIPS' trade secrets and confidential and proprietary information, and Developer shall obtain from those of its employees designated by ZIPS an executed Confidentiality and Nondisclosure Agreement in the form prescribed by ZIPS; **(h)** Developer will not acquire any interest in the System; and **(i)** Developer's use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which ZIPS would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

(2) During the Development Term or at any time thereafter, Developer shall not communicate or disclose any trade secrets or confidential or proprietary information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, techniques and other data that ZIPS or its affiliates designate as confidential shall be deemed confidential for purposes of this Agreement.

(3) If Developer develops any new concepts, processes or improvements relating to the System, Developer promptly shall notify ZIPS and provide ZIPS with all information regarding the new concept, process or improvement, all of which shall become the property of ZIPS and which may be incorporated into the System without any payment to Developer. Developer promptly shall take all actions deemed necessary or desirable by ZIPS to vest in ZIPS ownership of such concepts, processes or improvements.

C. Non-Competition Restrictions

(1) Developer acknowledges and agrees that: **(a)** pursuant to this Agreement, Developer will have access to valuable trade secrets, specialized training and confidential information from ZIPS and/or its affiliates regarding the development, operation, purchasing, sales and marketing methods and techniques of ZIPS and its affiliates and the System; **(b)** the System and the opportunities, associations and experience established and acquired by Developer under this Agreement are of substantial and material value; **(c)** in developing the System, ZIPS and its affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** ZIPS and its affiliates would be unable adequately to protect the System and its trade secrets and confidential and proprietary information against

unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information among ZIPS Dry Cleaners Businesses if franchisees or developers were permitted to hold interests in a Competitive Business (as defined in Section 10.C.(2)(c)); and **(e)** restrictions on Developer's right to hold interests in, or perform services for, any Competitive Business will not hinder its activities.

(2) Developer covenants and agrees that, during the Development Term and for a continuous period of 2 years following the expiration, termination or Transfer of this Agreement, Developer (nor any individual or entity with any ownership interest in Developer) shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, or other entity:

(a) Divert or attempt to divert any business or customer, or potential business or customer, of any ZIPS Dry Cleaners Business to any competitor, by direct or indirect inducement or otherwise.

(b) Employ or seek to employ any person then employed by ZIPS or any ZIPS franchisee or developer, or otherwise directly or indirectly induce such person to leave his or her employment.

(c) Own, maintain, develop, operate, engage in, franchise or license, make loans to, have any interest in, render any services to, or give advice to, either directly or indirectly, any "Competitive Business." As used in this Agreement, the term "Competitive Business" means any business that offers dry cleaning or laundry services. This restriction shall not apply to Developer's existing dry cleaning and laundry services operations, if any, which are identified in Appendix B, nor shall it apply to other dry cleaning and laundry services businesses operated by Developer that are franchised by ZIPS or its affiliates.

(3) During the Development Term, there is no geographical limitation on the restrictions set forth in Section 10C(2). Following the expiration, earlier termination or Transfer of this Agreement: **(a)** there are no geographical limitations on the restrictions set forth in Section 10C(2)(a) and (b); and **(b)** the restrictions in Section 10C(2)(c) shall apply within the Development Territory, within 25 miles of: (i) the border of the Development Territory, (ii) of any development territory under a development agreement with ZIPS, (iii) of any site accepted by ZIPS for a Franchised Business; or (iv) of any then-existing ZIPS Dry Cleaners Business.

(4) Developer agrees that, for a period of 2 years following the expiration, termination or Transfer of this Agreement, Developer will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation or other entity, sell, assign, lease or transfer any site accepted by ZIPS for a Franchised Business to any person, firm, partnership, corporation, or other entity which Developer knows, or has reason to know, intends to operate a Competitive Business at that site, unless the Franchised Business has ceased to exist or continue to operate at that location due to no fault of Developer.

(5) If any part of the restrictions in this Section 10C is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

(6) If, at any time during the 2-year period following the expiration, earlier termination or Transfer of this Agreement, Developer fails to comply with its obligation under this

Section, that period of noncompliance will not be credited toward Developer's satisfaction of the 2-year obligation.

D. Modification. ZIPS may, in its sole discretion, reduce the scope of any covenant in this Section 10 effective upon Developer's receipt of written notice, and Developer agrees that it shall comply with any modified covenant, which shall be fully enforceable notwithstanding Section 18.

E. Execution of Covenants by Third Parties. At ZIPS' request, Developer shall obtain execution of covenants similar to those set forth in this Section 10 (including covenants applicable upon the termination of an individual's relationship with Developer) from all guarantors and any employees designated by ZIPS. Every covenant required by this Section 10E shall be in a form satisfactory to ZIPS, including, without limitation, specific identification of ZIPS as a third party beneficiary of such covenants with the independent right to enforce them. Failure by Developer to obtain execution of any covenant required by this Section 10E shall constitute a material breach of this Agreement.

F. Survival. The terms of this Section 10 shall survive the termination, expiration or any Transfer of this Agreement. The parties agree this Section 10 shall be construed as independent of any other provision of this Agreement.

G. Applicability. The covenants and restrictions contained in this Section 10 shall apply to Developer and all guarantors of Developer's obligations. With respect to guarantors, these restrictions shall apply for a 2-year period after any guarantor ceases to be the Development Principal, an officer, stockholder, director, member of the Continuity Group, a 10% Owner or a spouse of one of the foregoing. The restrictions contained in this Section 10 shall not apply to ownership of less than a 5% legal or beneficial ownership in the outstanding equity securities of any publicly held corporation by Developer or any guarantor of Developer's obligations. The existence of any claim Developer or any guarantor of Developer's obligations may have against ZIPS or its affiliates, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by ZIPS of the covenants in this Section 10.

11. DEFAULT AND TERMINATION

A. Grounds for Termination. In addition to the grounds for termination that may be stated elsewhere in this Agreement, ZIPS may terminate this Agreement, and the rights granted by this Agreement, upon written notice to Developer without an opportunity to cure (except as described below) upon the occurrence of any of the following events:

(1) Developer fails to comply with the Development Schedule including any Site Acceptance Deadline or Opening Deadline; provided however, that if Developer has fully executed leases and franchise agreements for each Franchised Business required to be developed so that Developer will be in compliance with the Development Schedule in Appendix B and if Developer is using its best efforts to develop such Franchised Businesses, Developer shall have the right to cure a breach within six (6) months after delivery of Company's notice of termination by opening and operating all such Franchised Businesses.

(2) Developer acquires an interest in a site for a Franchised Business before ZIPS accepts the site which action has not been cured within fifteen (15) days following written notice from ZIPS.

(3) Developer begins construction of a Franchised Business before Developer has received a fully-executed Franchise Agreement which action has not been cured within fifteen (15) days following written notice from ZIPS.

(4) Developer is insolvent or is unable to pay its creditors (including ZIPS); files a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against Developer a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization, which is not dismissed within one hundred twenty (120) days of the filing; Developer makes an assignment for the benefit of creditors; or a receiver or trustee is appointed for Developer and not dismissed within one hundred twenty (120) days of the appointment.

(5) Execution is levied against Developer's business or property; suit to foreclose any lien or mortgage against the premises or equipment of any Franchised Business developed hereunder is instituted against Developer and is not dismissed within one hundred twenty (120) days; or the real or personal property of any Franchised Business developed hereunder shall be sold after levy thereupon by any sheriff, marshal or constable.

(6) There is a material breach by Developer of any obligation under Section 10 which action has not been cured within fifteen (15) days following written notice from ZIPS.

(7) Any Transfer that requires ZIPS' prior written approval occurs without Developer having obtained that prior written approval which action has not been cured within fifteen (15) days following written notice from ZIPS.

(8) ZIPS discovers that Developer made a material misrepresentation or omitted a material fact in the information that was furnished to ZIPS in connection with its decision to enter into this Agreement.

(9) Developer knowingly falsifies any report required to be furnished to ZIPS or makes any material misrepresentation in its dealings with ZIPS or fails to disclose any material facts to ZIPS which action has not been cured within fifteen (15) days following written notice from ZIPS.

(10) Developer, the Development Principal, any stockholder, member, partner, director or officer of Developer, any member of the Continuity Group or any 10% Owner is convicted of, or pleads no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole opinion of ZIPS, to adversely affect ZIPS, its affiliates or the System which action has not been cured within thirty (30) days following written notice from ZIPS.

(11) Developer, the Development Principal, any member of the Continuity Group or any 10% Owner remains in default beyond the applicable cure period under any other agreement with ZIPS or its affiliates; provided that if the default is not by Developer, Developer is given written notice of the default and 30 days to cure said default.

(12) There is a material breach by Developer of any representation or warranty set forth in Section 22F-G.

(13) Except as expressly provided in Section 11A(1)-(12), Developer fails or refuses to comply with any other provision of this Agreement or any requirement of the System

and does not correct the failure or refusal within 30 days (10 days for monetary defaults) after receipt of written notice of default from ZIPS. Except for monetary defaults, if the default cannot be corrected within 30 days, Developer shall have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that Developer begins taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursues those actions to completion. Developer will be in default under this Section 11A(13) for any failure to materially comply with any of the requirements imposed by this Agreement or otherwise in writing, or to carry out the terms of this Agreement in good faith. If Developer has received one or more notices of default pursuant to this Section 11A(13) within the previous 12 months, ZIPS shall be entitled to send Developer a notice of termination upon Developer's next default under this Section 11A(13) in that 12-month period without providing Developer an opportunity to remedy that default.

B. Termination Following Expiration of Cure Period

(1) If Developer has received at least one notice of default within the previous 12 months, ZIPS shall be entitled to send Developer a notice of termination upon Developer's next default within that 12-month period under this Section 23B(1) without providing Developer an opportunity to remedy the default.

C. Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

12. OBLIGATIONS ON TERMINATION OR EXPIRATION

A. Post-Termination Obligations. Upon termination or expiration of this Agreement:

(1) Developer shall have no further right to develop or open Franchised Businesses in the Development Territory, except that Developer may complete and open a Franchised Business for which a Franchise Agreement has been fully executed. Termination or expiration of this Agreement shall not affect Developer's right to continue to operate Franchised Businesses that were open and operating as of the date this Agreement terminated or expired.

(2) The limited exclusive rights granted Developer in the Development Territory shall terminate and ZIPS shall have the right to operate or license others to operate ZIPS Dry Cleaners Businesses anywhere in the Development Territory.

(3) Developer promptly shall return to ZIPS all confidential and/or proprietary materials and information furnished by ZIPS or its affiliates, except materials and information furnished with respect to a Franchised Business that is being developed under or is open and operating pursuant to an effective Franchise Agreement.

(4) Developer and all persons and entities subject to the covenants contained in Section 10 shall continue to abide by those covenants and shall not, directly or indirectly, take any action that violates those covenants.

(5) Developer immediately shall pay ZIPS and its affiliates all sums due and owing ZIPS or its affiliates pursuant to this Agreement.

(6) ZIPS shall retain the Development Fee.

B. Evidence of Compliance. Within 30 days after the effective date of termination or expiration, Developer shall furnish ZIPS evidence (certified to be true, complete, accurate and correct by an executive officer of Developer), satisfactory to ZIPS of Developer's compliance with Sections 12.A.(1)-(5).

C. Other Business Operations. Developer shall not, except with respect to a ZIPS Dry Cleaners Business that is then being developed or open and operating pursuant to an effective Franchise Agreement: **(1)** operate or do business under any name or in any manner that might tend to give the public the impression that Developer is connected in any way with ZIPS or its affiliates or has any right to use the System or the Marks; **(2)** make, use or avail itself of any of the materials or information furnished or disclosed by ZIPS or its affiliates under this Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else; or **(3)** assist anyone not licensed by ZIPS or its affiliates to construct or equip a dry cleaning and laundry services outlet substantially similar to a ZIPS Dry Cleaners Business.

13. RELATIONSHIP OF THE PARTIES

A. This Agreement does not create a fiduciary or other special relationship between the parties. No agency, employment, or partnership is created or implied by the terms of this Agreement, and Developer is not and shall not hold itself out as agent, legal representative, partner, subsidiary, joint venturer or employee of ZIPS or its affiliates. Developer shall have no right or power to, and shall not, bind or obligate ZIPS or its affiliates in any way or manner, nor represent that Developer has any right to do so. Developer shall not issue any press releases without the prior written approval of ZIPS.

B. Developer is an independent contractor and is solely responsible for all aspects of the development and operation of the Franchised Businesses, subject only to the conditions and covenants established by this Agreement and the Franchise Agreement. Without limiting the generality of the foregoing, Developer acknowledges that ZIPS has no responsibility to ensure that the Franchised Businesses are developed and operated in compliance with all applicable laws, ordinances and regulations and that ZIPS shall have no liability in the event the development or operation of the Franchised Businesses violates any law, ordinance or regulation.

C. The sole relationship between Developer and ZIPS is a commercial, arms' length business relationship and, except as provided in Section 14, there are no third party beneficiaries to this Agreement. Developer's business is, and shall be kept, totally separate and apart from any that may be operated by ZIPS. In all public records, in relationships with other persons, and on letterheads and business forms, Developer shall indicate its independent ownership of the Franchised Businesses and that Developer is solely a developer/franchisee of ZIPS.

14. INDEMNIFICATION

A. Except to the extent expressly prohibited by applicable law, Developer and all guarantors of Developer's obligations under this Agreement shall, at all times, indemnify, defend (with counsel reasonably acceptable to ZIPS), and hold harmless (to the fullest extent permitted by law) ZIPS and its affiliates, and their respective successors, assigns, past and present stockholders, directors, officers, employees, agents and representatives (collectively, "Indemnitees") from and against all "losses and expenses" (as defined below) incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or

informal), judgment or appeal thereof by or against Indemnitees or any settlement thereof (whether or not a formal proceeding or action had been instituted), arising out of or resulting from or connected with Developer's activities under this Agreement. Developer promptly shall give ZIPS written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation filed or instituted against Developer and, upon request, shall furnish ZIPS with copies of any documents from such matters as ZIPS may request.

At Developer's expense and risk, ZIPS may elect to assume (but under no circumstances will ZIPS be obligated to undertake), the defense and/or settlement of any action, suit, proceeding, claim, demand, investigation, inquiry, judgment or appeal thereof subject to this indemnification. Such an undertaking shall, in no manner or form, diminish Developer's obligation to indemnify and hold harmless ZIPS and Indemnitees. ZIPS shall not be obligated to seek recoveries from third parties or otherwise mitigate losses.

B. As used in this Section 14, the phrase "losses and expenses" shall include, but not be limited to: all losses; compensatory, exemplary and punitive damages; fines; charges; costs; expenses; lost profits; reasonable attorneys' fees; expert witness fees; court costs; settlement amounts; judgments; compensation for damages to ZIPS' reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

15. CONSENTS, APPROVALS AND WAIVERS

A. Whenever this Agreement requires ZIPS' prior approval or consent, Developer shall make a timely written request to ZIPS therefor; and any approval or consent received, in order to be effective and binding upon ZIPS, must be obtained in writing and be signed by an authorized officer of ZIPS.

B. ZIPS makes no warranties or guarantees upon which Developer may rely by providing any waiver, approval, consent or suggestion to Developer in connection with this Agreement, and assumes no liability or obligation to Developer therefor, or by reason of any neglect, delay, or denial of any request therefor. ZIPS shall not, by virtue of any approvals, advice or services provided to Developer, assume responsibility or liability to Developer or to any third parties to which ZIPS would not otherwise be subject.

C. No failure of ZIPS to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Developer with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of ZIPS' right to demand exact compliance with any of the terms of this Agreement. A waiver by ZIPS of any particular default by Developer shall not affect or impair ZIPS' rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of ZIPS to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants of this Agreement affect or impair ZIPS' right to exercise the same, nor shall such constitute a waiver by ZIPS of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement. Subsequent acceptance by ZIPS of any payments due to it hereunder shall not be deemed to be a waiver by ZIPS of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

16. NOTICES

No notice, demand, request or other communication to the parties shall be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and: **(A)** if to Developer, is addressed to Developer at the notice address set forth in Appendix B; and **(B)** if to ZIPS, is addressed to ZIPS Franchising, LLC, 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770 (Attn: Chairman) (Facsimile: 301-345-2895) (Email: notices@321zips.com). Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section 16. Notices shall be effective upon receipt (or first refusal of delivery) and may be: **(1)** delivered personally; **(2)** transmitted by facsimile or electronic mail to the numbers or addresses set forth above (or in Appendix B) with electronic confirmation of receipt; **(3)** mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or **(4)** mailed via overnight courier.

17. FORCE MAJEURE

As used in this Agreement, the term "Force Majeure" means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby. Developer's inability to obtain financing (regardless of the reason) shall not constitute Force Majeure. If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure, which cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration.

18. ENTIRE AGREEMENT

This Agreement, the Manuals, the documents referred to herein, and the attachments hereto, constitute the entire, full and complete agreement between the parties concerning the matters covered by this Agreement, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth herein, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

19. DISPUTE RESOLUTION

A. Negotiation and Non-Binding Mediation. If any dispute, claim or controversy arises out of this Agreement or the parties' relationship, before beginning any legal action, the parties may attempt to resolve the dispute, claim or controversy through negotiation (as described in Section 19A(1)) or non-binding mediation (as described in Section 19A(2)); provided that the parties shall not be required to negotiate or mediate any such dispute, claim or controversy.

(1) Negotiation. The party initiating negotiation of any dispute, claim or controversy shall provide written notice to the other party describing the nature of the dispute, claim or controversy, specifying the relief sought and identifying the persons who are authorized to settle the dispute, claim or controversy. Within 10 days after receiving that notice, the other party shall designate in writing the persons who are authorized to settle the dispute, claim or controversy. The designated persons may take all actions necessary to investigate the dispute, claim or controversy provided however, within 14 days after the initial notice identifying the dispute, claim or controversy, those persons shall meet to negotiate a resolution of the dispute, claim or controversy.

(2) Non-Binding Mediation. If the parties fail to resolve any dispute, claim or controversy during a negotiation as set forth in Section 19A(1) within 30 days after the initial meeting of the persons designated by the parties, either party may notify the other party of its intent to commence non-binding mediation. Within 14 days after a request for mediation, the parties shall select a mediator who is experienced in the mediation of disputes in the franchise industry. Any mediation shall take place in the county where ZIPS has its principal offices. The parties will share the costs of mediation equally, exclusive of their respective attorneys' fees.

B. Choice of Forum. Developer shall file any suit against ZIPS only in the federal or state court having jurisdiction where ZIPS' principal offices are located at the time suit is filed. ZIPS may file suit in the federal or state court located in the jurisdiction where its principal offices are located at the time suit is filed or in the jurisdiction where Developer resides or does business or where any Franchised Business is or was located or where the claim arose. Developer consents to the personal jurisdiction of those courts over Developer and venue in those courts.

C. Choice of Law. This Agreement and any dispute, claim or controversy arising out of, or relating to, the rights and obligations of the parties under this Agreement and any other dispute, claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles. Nothing in this Section 19C is intended, or shall be deemed, to make any Maryland law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

D. Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including any action relating to the offer and sale of a franchise to Developer) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

E. Reimbursement of Costs and Expenses. If either ZIPS or Developer institutes any action or proceeding against the other relating to the provisions of this Development Agreement or any default hereunder, the non-prevailing party in such action or proceeding shall reimburse the prevailing party for the reasonable expenses of attorneys' fees and all costs and disbursements incurred therein by the prevailing party, including, without limitation, any such fees, costs or disbursements incurred on any appeal from such action or proceeding. The prevailing party shall recover all such fees, costs or disbursements as costs taxable by the court in the action or proceeding itself without the necessity for a cross-action by the prevailing party. The amount of these costs and expenses will be determined by the court.

F. Rights or Parties are Cumulative. The parties' rights under this Agreement are cumulative and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled by law or this Agreement to exercise or enforce.

G. Waiver of Punitive Damages and Jury Trial. To the fullest extent permitted by law, the parties waive any right to, or claim for, any punitive or exemplary damages against the other party. The parties also agree that, in the event of a dispute between them, the party making a claim will be limited to recovery of actual damages, if any. In addition, the parties irrevocably waive trial by jury in any action, proceeding, and/or counterclaim brought by either party.

20. SEVERABILITY AND CONSTRUCTION

A. Each article, paragraph, subparagraph, term and condition of this Agreement, and any portions thereof, will be considered severable. If, for any reason, any portion of this Agreement is determined to be invalid, contrary to, or in conflict with, any applicable present or future law, rule or regulation in a final, unappealable ruling issued by any court, agency or tribunal with valid jurisdiction in a proceeding to which ZIPS is a party, that ruling will not impair the operation of, or have any other effect upon, any other portions of this Agreement; all of which will remain binding on the parties and continue to be given full force and effect.

B. Except as otherwise provided in Section 14, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer and ZIPS and their respective affiliates, parents, subsidiaries, heirs, successors and assigns, any rights or remedies under or by reason of this Agreement.

C. Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which ZIPS is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

D. No provision of this Agreement shall be interpreted in favor of, or against, any party because of the party that drafted this Agreement.

E. Whenever ZIPS has expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant Developer a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, ZIPS may make such decision or exercise its right and/or discretion on the basis of its judgment of what is in the best interests of ZIPS and the System. This also applies if ZIPS is deemed to have a right and/or discretion. ZIPS' judgment of what is in the best interests of the System, at the time its decision is made or its right or discretion is exercised, can be made without regard to whether: **(1)** other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by ZIPS; **(2)** ZIPS' decision or the action taken promotes its financial or other individual interest; **(3)** ZIPS' decision or the action taken applies differently to Developer and one or more other developers or franchisees or ZIPS company-owned or affiliate-owned operations; or **(4)** ZIPS' decision or the action taken is adverse to Developer's interests. ZIPS will have no liability to Developer for any such decision or action. ZIPS and Developer intend that the exercise of ZIPS' right or discretion will not be subject to

limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, ZIPS and Developer agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants ZIPS the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer's rights and obligations under this Agreement.

21. MISCELLANEOUS

A. Gender and Number. All references to gender and number shall be construed to include such other gender and number as the context may require.

B. Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

C. Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

D. Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted shall be the day or month of the designated action, event or notice. Days shall be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically shall be extended to the next day that is not a Saturday, Sunday or national holiday.

E. Injunctive Relief. Developer recognizes that its failure to comply with the terms of this Agreement, including, but not limited to, the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to ZIPS, its affiliates and the System. Developer agrees that, in the event of a breach or threatened breach of any of the terms of this Agreement by Developer, ZIPS shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by ZIPS shall be in addition to, and not in lieu of, all remedies and rights that ZIPS otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

F. Delegation. ZIPS has the right, from time to time, to delegate the performance of any portion or all of its obligations and duties under this Agreement to designees, whether affiliates or agents of ZIPS or independent contractors with which ZIPS has contracted to provide this service.

G. Legal Compliance. Developer must comply with the requirements of all applicable federal, state and local laws, rules and regulations. Developer must timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

H. Variations. ZIPS has the right, in its sole discretion, to waive, defer, or permit variations from the standards of the System or any applicable agreement to any developer, franchisee, prospective developer or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. ZIPS has the right, in its

sole discretion, to deny any such request ZIPS believes would not be in the best interests of the System.

I. Compliance with U.S. Laws. Developer acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), ZIPS is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Developer represents and warrants to ZIPS that, as of the date of this Agreement, neither Developer nor any person holding any ownership interest in Developer, controlled by Developer, or under common control with Developer is designated under the Order as a person with whom business may not be transacted by ZIPS, and that Developer: **(1)** does not, and hereafter shall not, engage in any terrorist activity; **(2)** is not affiliated with and does not support any individual or entity engaged in, contemplating or supporting terrorist activity; and **(3)** is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating or supporting terrorist activity, or to otherwise support or further any terrorist activity.

22. REPRESENTATIONS

Developer represents, acknowledges and warrants to ZIPS (and Developer agrees that these representations, acknowledgments and warranties shall survive expiration or termination of this Agreement) that:

A. This Agreement involves significant legal and business rights and risks. ZIPS does not guarantee Developer's success. Developer has read this Agreement in its entirety, conducted an independent investigation of the business contemplated by this Agreement, has been thoroughly advised with regard to the terms and conditions of this Agreement by legal counsel or other advisors of Developer's choosing, recognizes that the nature of the business conducted by ZIPS Dry Cleaners Businesses may change over time, has had ample opportunity to investigate all representations made by or on behalf of ZIPS, and has had ample opportunity to consult with current and former franchisees of ZIPS. The prospect for success of the business undertaken by Developer is speculative and depends to a material extent upon Developer's personal commitment, capability and direct involvement in the day-to-day management of the business.

B. ZIPS makes no express or implied warranties or representations that Developer will achieve any degree of success in the development or operation of ZIPS Dry Cleaners Businesses and that success in the development and operation of ZIPS Dry Cleaners Businesses depends ultimately on Developer's efforts and abilities and on other factors, including, but not limited to, market and other economic conditions, Developer's financial condition and competition.

C. The Development Fee is not refundable.

D. ZIPS has entered, and will continue to enter, into agreements with other developers and franchisees. The manner in which ZIPS enforces its rights, and the developers' and franchisees' obligations under any of those other agreements shall not affect the ability of ZIPS to enforce its rights or Developer's obligations under this Agreement.

E. All information Developer provided to ZIPS in connection with Developer's franchise application and ZIPS' grant to Developer of the opportunity to develop ZIPS Dry Cleaners Businesses is truthful, complete and accurate.

F. The persons signing this Agreement on behalf of Developer have full authority to enter into this Agreement and the other agreements contemplated by the parties, including the Franchise Agreement. Execution of this Agreement or such other agreements by Developer does not and will not conflict with or interfere with, directly or indirectly, intentionally or otherwise, with the terms of any other agreement with any other third party to which Developer or any person with an ownership interest in Developer is a party.

G. Except as may be set forth in the Franchise Disclosure Document, Developer has not received from ZIPS or its affiliates, or anyone acting on their behalf, any representation of Developer's potential sales, expenses, income, profit or loss.

H. Developer has not received from ZIPS or its affiliates or anyone acting on their behalf any representations other than those contained in ZIPS' Franchise Disclosure Document as inducements to enter this Agreement.

I. Even though this Agreement contains provisions requiring Developer to develop the Franchised Businesses in compliance with the System: (1) ZIPS and its affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of Developer's business or employment decisions; and (2) Developer and ZIPS do not intend for ZIPS or its affiliates to incur any liability in connection with or arising from any aspect of the System or Developer's use of the System, whether or not in accordance with ZIPS' requirements.

J. Developer understands that there are certain limitations to Developer's exclusive rights in the Development Territory during the Development Term and that, following termination or expiration of the Development Term, ZIPS may develop and operate, or license others to develop and operate Franchised Businesses at any location in the Development Territory.

K. In the event of a dispute between ZIPS and Developer, the parties have waived their right to a jury trial.

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IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Agreement as of the day and year first above written.

FRANCHISOR:
ZIPS FRANCHISING, LLC

By: _____
Print Name: _____
Title: _____
Date: _____

IF DEVELOPER IS AN ENTITY:

DEVELOPER:
NAME OF ENTITY: _____

By: _____

Print Name: _____

Title: _____

Date: _____

IF DEVELOPER IS AN INDIVIDUAL:

WITNESS:

_____

Print Name: _____

DEVELOPER:

_____

Print Name: _____

Date: _____

GUARANTEE AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the ZIPS Dry Cleaners Development Agreement dated as of _____ ("Agreement") by ZIPS Franchising, LLC ("ZIPS"), entered into with _____ ("Developer"), the undersigned ("Guarantors"), each of whom is an officer, director, member of Developer's Continuity Group or a direct or indirect holder of a legal or beneficial interest in Developer of 10% or more ("10% Owner") or spouse of one of the foregoing, hereby personally and unconditionally: **(1)** guarantee to ZIPS and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Developer shall **(a)** punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and **(b)** punctually pay all other monies owed to ZIPS and/or its affiliates; **(2)** agree personally to be bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 8, 10 and 14; and **(3)** agree personally to be liable for the breach of each and every provision in the Agreement, including, without limitation, Sections 8 and 10.

Each Guarantor waives: **(a)** acceptance and notice of acceptance by ZIPS of the foregoing undertakings; **(b)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(c)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(d)** any right he may have to require that an action be brought against Developer or any other person as a condition of liability; **(e)** all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Developer arising as a result of the execution of and performance under this Guarantee; **(f)** any law or statute that requires that ZIPS make demand upon, assert claims against or collect from Developer or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Developer or any others prior to making any demand upon, collecting from or taking any action against any Guarantor with respect to this Guarantee; **(g)** any and all other notices and legal or equitable defenses to which Guarantor may be entitled; and **(h)** any and all right to have any legal action under this Guarantee decided by a jury.

Each Guarantor consents and agrees that: **(i)** his direct and immediate liability under this Guarantee shall be joint and several; **(ii)** he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by ZIPS of any remedies against Developer, any other Guarantor or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which ZIPS may from time to time grant to Developer, any other Guarantor or any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Developer to ZIPS or its affiliates under the Agreement; and **(v)** monies received from any source by ZIPS for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by ZIPS. In addition, if any Guarantor ceases to be a member of the Continuity Group, a 10% Owner, an officer or director of Developer or own any interest in Developer prior to termination or expiration of the Agreement, that person agrees that his obligations under this Guarantee shall continue to remain in force and effect unless ZIPS in its sole discretion, in writing, releases that person from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the covenants contained in Section 10 which by their terms continue in force after the expiration or termination

of the Agreement shall remain in force and effect for the time periods set forth in Section 10. A release by ZIPS of any Guarantor shall not affect the obligations of any other Guarantor. Notwithstanding any Transfer, this Guarantee shall remain in full force and effect for a period of 2 years after the effective date of the Transfer.

If any of the following events occur, a default ("Default") under this Guarantee shall exist: **(a)** failure of timely payment or performance of the obligations under this Guarantee; **(b)** breach of any agreement or representation contained or referred to in this Guarantee; **(c)** the dissolution of, termination of, existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any Guarantor; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any Guarantor. If a Default occurs, the obligations Guarantors shall be due immediately and payable without notice. Upon the death of any Guarantor, the estate shall be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect.

This Guarantee shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. ZIPS' interests in and rights under this Guarantee are freely assignable, in whole or in part, by ZIPS. Any assignment shall not release Guarantors from this Guarantee.

Section 19 of the Agreement is incorporated by reference into this Guarantee with all defined terms in that Section deemed modified to reflect the terms of this Guarantee. All capitalized terms in this Guarantee that are not defined shall have the meaning given them in the Agreement (with modifications as required by the context of this Guarantee).

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature, under seal.

GUARANTORS:

Date: _____ _____

Print Name: _____

Address: _____

Date: _____ _____

Print Name: _____

Address: _____

Date: _____ _____

Print Name: _____

Address: _____

Date: _____ _____

Print Name: _____

Address: _____

APPENDIX A

DEVELOPMENT TERRITORY

The Development Territory shall be:

The Development Territory may also be depicted on a map and, if so, that map will be attached to this Appendix A. Developer's rights in the Development Territory shall be subject to the limitations described in Section 2B of the Development Agreement. Any political boundaries contained in the description of the Development Territory shall be considered fixed as of the date of the Development Agreement and, notwithstanding any political reorganization or a change in those boundaries, the boundaries of the Development Territory shall not change. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.

MAP OF DEVELOPMENT TERRITORY
[TO BE INSERTED IF NECESSARY]

APPENDIX B
DEVELOPMENT INFORMATION

1. **Development Schedule (Section 3A):** Developer shall develop and continue to operate a minimum of _____ ZIPS Dry Cleaners Businesses in the Development Territory, in accordance with the following schedule:

Site Acceptance Deadline	Opening Deadline	Total Number of Franchised Businesses to be Open and Operated by Developer on the Opening Deadline, Including the Franchised Business to be Established

2. **Development Fee (Section 4):** The Development Fee paid by Developer is $_____.

3. **Any Other Businesses that Developer or Development Principal Own, Manage, Operate, or Are Involved In (Section 6A(3)):** _____

4. **Interests in Other Dry Cleaning and Laundry Services Businesses (Section 10.C.(2)(c)):** _____

5. **Developer's Notice Address and Email Address (Section 16):** _____

APPENDIX C
OWNERSHIP INTERESTS

CORPORATE DEVELOPER

If Developer is a corporation, the number of authorized shares of Developer that have been issued is _____ and the name, address, number of shares owned (legally or beneficially) and office held by each shareholder is as follows:

Name	Address	No. of Shares	Office Held

LIMITED LIABILITY COMPANY DEVELOPER

If Developer is a limited liability company, the name, address and percentage interest of each member is as follows:

Name	Address	Percentage Interest

OTHER BUSINESS ENTITY DEVELOPER

If Developer is some other business entity, the type of business entity and the name, address and ownership interest (including for a limited partnership, whether a general or limited partner) of each owner is as follows:

Type of Business Entity:_____

Name	Address	Ownership Interest

CONTINUITY GROUP AND DEVELOPMENT PRINCIPAL

Developer's Continuity Group shall be comprised of the following persons:

_____

Developer's Development Principal (if applicable) is:

_____

DEVELOPER:

By: _____
Print Name:_____
Title: _____ Date: _____

EXHIBIT D
FRANCHISE AGREEMENT

ZIPS® DRY CLEANERS FRANCHISE AGREEMENT

ZIPS® DRY CLEANERS FRANCHISE AGREEMENT
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ZIPS® DRY CLEANERS FRANCHISE AGREEMENT

THIS AGREEMENT is made as of _____ by and between ZIPS Franchising, LLC ("ZIPS"), a Maryland limited liability company, and _____, a(n) _____ [type of entity] formed in _____ _____ [jurisdiction] ("Franchisee").

RECITALS

ZIPS owns, and has expended a considerable amount of time, skill, effort and money to develop, a unique and distinctive proprietary system ("System") relating to the development, establishment and operation of dry cleaning and laundry services businesses ("ZIPS Dry Cleaners Businesses"), which feature an on-premises physical plant, equipment, competitive flat rate pricing structure, same day service, open floor plan, and highly efficient, integrated production process for dry cleaning and laundry services.

The distinguishing characteristics of the System include, without limitation, uniform and distinctive building designs, interior and exterior layout and trade dress; standards and specifications for equipment, equipment layouts and supplies; operating procedures; and methods and techniques for dry cleaning and laundry services, cost controls, recordkeeping and reporting, personnel management, purchasing, sales, promotion and advertising. ZIPS may change, improve and further develop the System and its components from time to time.

ZIPS' parent company, Value Drycleaners of America, LLC ("VDA") owns all right, title and interest in the names "ZIPS Dry Cleaners®" and "ZIPS®" and the other names, trademarks, service marks, logos, insignias, slogans, emblems, symbols and designs (collectively, "Marks") used in connection with the operation of ZIPS Dry Cleaners Businesses. VDA and ZIPS have entered into a trademark license agreement pursuant to which ZIPS has the right to use and license others to use the Marks.

ZIPS identifies the System by means of certain Marks that ZIPS has designated, or may in the future designate, for use with the System. ZIPS may modify the Marks to be used with the System from time to time.

ZIPS continues to develop, use and control the use of the Marks in order to identify to the public the source of products and services marketed under the Marks and the System and to represent the System's high standards of quality, appearance and service.

Franchisee desires to obtain a license to use the System and to continuously operate one ZIPS Dry Cleaners Business ("Franchised Business") at the location specified in attached Appendix A ("Franchised Location"), subject to the terms and conditions of this Agreement and in strict compliance with the standards and specifications established by ZIPS.

Franchisee understands and acknowledges the importance of ZIPS' high and uniform standards of quality, operations and service and the necessity of developing and operating the Franchised Business in strict conformity with this Agreement and the ZIPS Dry Cleaners Operations Manual and any other manuals provided by ZIPS (collectively, "Manuals").

Any required standards exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Manuals. The Manuals

also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Marks, we reserve the right to determine if you are meeting a required standard or whether an alternative is suitable to any recommendations or guidelines.

ZIPS is willing to grant Franchisee the right to operate a ZIPS Dry Cleaners Business at the Franchised Location, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of ZIPS' grant to Franchisee of the right to operate a Franchised Business at the Franchised Location during the term of this Agreement, as well as the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. GRANT OF FRANCHISE

A. Grant. Subject to the provisions of this Agreement, ZIPS hereby grants to Franchisee the nonexclusive right ("Franchise") to continuously operate the Franchised Business at the Franchised Location and to use the Marks in the operation of the Franchised Business. Franchisee agrees that it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, that it will continuously exert its best efforts to promote and enhance the Franchised Business and that it will not engage in any other business or activity that may conflict with its obligations under this Agreement, except the operation of other ZIPS Dry Cleaners Businesses or other dry cleaning and laundry services businesses operated by Franchisee that are franchised by ZIPS or its affiliates.

B. Limited Exclusivity. Except as limited by Section 1C, and provided that Franchisee is in full compliance with this Agreement and any other agreements with ZIPS and its affiliates, during the Initial Term, ZIPS and its affiliates will not operate, or license others to operate, ZIPS Dry Cleaners Businesses in the geographic area that ZIPS identifies and describes in Appendix A ("Protected Area"). The restriction contained in this Section 1B does not apply to ZIPS Dry Cleaners Businesses under development or in operation in the Protected Area as of the date of this Agreement. If the Franchised Location has not been accepted in writing by ZIPS when Franchisee signs this Agreement, the Protected Area will be determined by ZIPS after Franchisee executes a lease (or purchase agreement) for the Franchised Business, and at such time the Protected Area will be attached to and incorporated into Appendix A.

C. Rights We Reserve. Except as expressly granted to Franchisee in Section 1B, ZIPS and its affiliates retain all rights with respect to ZIPS Dry Cleaners Businesses, the Marks, the sale of similar or dissimilar products and services, and any other activities ZIPS deems appropriate whenever and wherever we desire, including, but not limited to:

(1) Operating and/or licensing others to operate, businesses in the Protected Area identified in whole or in part by the Marks and/or utilizing the System that are located in hotels, or any similar captive market location; provided however, to the extent permitted pursuant to the agreement allowing ZIPS or another party to operate businesses in the Protected Area identified in whole or in part by the Marks and/or utilizing the System that are located in hotels or any similar captive market location, ZIPS shall permit (i) Franchisee to operate such businesses

in the Protected Area or (ii) permit Franchisee to operate the processing plant for such business. ZIPS is to have the right to decide which option Franchisee shall have and shall notify Franchisee of such option. Franchisee shall notify ZIPS within fifteen (15) days after ZIPS provides notice to Franchisee of the business opportunity contemplated;

(2) Awarding national, regional or local licenses to third parties to sell services under the Marks in facilities in the Protected Area, provided that those facilities are identified by the third party's trademark; provided however, to the extent permitted pursuant to the agreement awarding national, regional or local licenses to third parties to sell services under the Marks in facilities in the Protected Area, ZIPS shall permit (i) Franchisee to provide such services in such facilities in the Protected Area or (ii) permit Developer or the franchisee to operate the processing plant for such business. ZIPS is to have the right to decide which option Franchisee shall have and shall notify Franchisee of such option. Franchisee shall notify ZIPS within fifteen (15) days after ZIPS provides notice to Franchisee of the business opportunity contemplated; provided further, however, that if Franchisee is not permitted to provide such services pursuant to such agreement, ZIPS will not approve or otherwise permit any signage or other materials displaying the Marks to be permanently displayed on the exterior of such facility or in any area adjacent thereto

(3) Selling, merchandising and distributing services or products identified by the Marks or by any other name or mark through any method or channel of distribution (including the Internet, wholesale, mail order and catalogs) other than through the operation of a business to any location including to locations within the Protected Area;

(4) Selling and/or distributing services and products identified by the Marks to businesses in the Protected Area, provided that those businesses are not licensed to use the Marks in connection with sales;

(5) Operating and/or licensing others to operate businesses identified in whole or in part by the name "ZIPS®" at any location outside of the Protected Area;

(6) Operating and/or licensing others to operate, at any location any type of business other than a business identified in whole or in part by the name and mark "ZIPS®";

(7) Operating, and/or licensing others to operate, after this Agreement terminates or expires, ZIPS Dry Cleaners Businesses at any location (including within the Protected Area);

(8) Developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks licensed to Franchisee; and

(9) Purchasing, being purchased by, merging with or combining with businesses that directly or indirectly compete with ZIPS Dry Cleaners Businesses.

D. Relocation. Franchisee may not operate the Franchised Business at any site other than the Franchised Location and may not relocate the Franchised Business. If, during the Initial Term (as defined in Section 2A), Franchisee, through no act or failure to act on its part (except the failure to extend the lease for the Franchised Location through the Initial Term), loses the right to possession of the Franchised Location, the Initial Term shall expire as of the date of the loss of the right to possession. However, if the right to possession is lost through no act or failure to

act on Franchisee's part, Franchisee may relocate the Franchised Business (without paying any additional initial franchise fee or transfer fee) at its expense, and the Initial Term shall not expire if: **(1)** ZIPS accepts the new location; **(2)** the Protected Area is modified to ZIPS then-current standards for determining the Protected Area around Franchised Locations; **(3)** Franchisee constructs and equips a Franchised Business at the new location in accordance with the then-current System standards and specifications; **(4)** a Franchised Business at the new location is open to the public for business within 90 days after the loss of possession of the Franchised Location; **(5)** Franchisee pays ZIPS the greater of: any expenses incurred by ZIPS in connection with the relocation or a relocation fee in the amount of $10,000; and **(6)** for the time the Franchised Business is not in operation**,** Franchisee pays ZIPS a minimum weekly royalty fee based upon the Royalty Net Sales during the 26 weeks prior to the request for relocation. ZIPS' acceptance of a new location is not a guarantee or assurance by ZIPS that a ZIPS Dry Cleaners Business at the new location will be profitable or successful. ZIPS will not extend the Initial Term if Franchisee relocates the Franchised Business.

2. TERM

A. Initial Term. The Initial Term of this Agreement and the Franchise granted by this Agreement shall begin on the date of this Agreement and terminate at midnight on the day preceding the 10th anniversary of the date the Franchised Business first opened for business ("Opening Date"), unless this Agreement is terminated at an earlier date pursuant to Section 23. The Opening Date is identified in Appendix A. Franchisee does not have the unilateral right to cease operating the Franchised Business prior to the expiration of the Initial Term.

B. Renewal Terms

(1) At the expiration of the Initial Term, Franchisee shall have an option to remain a franchisee at the Franchised Location for two successive renewal terms of 5 years each (each a "Renewal Term"), unless the respective franchise agreement is sooner terminated in accordance with its provisions. The conditions for the first Renewal Term are set forth in this Agreement and all references in this Agreement to the Renewal Term shall mean the first Renewal Term. The conditions for the second Renewal Term will be set forth in the first Renewal Franchise Agreement.

(2) Franchisee must give ZIPS written notice of whether or not it intends to exercise the first renewal option not less than 9 months, nor more than 12 months, before the expiration of the Initial Term. (Notwithstanding the foregoing, if Franchisee subleases the Franchised Location from ZIPS, Franchisee must give ZIPS the notice described in the preceding sentence not less than 4 months, nor more than 6 months, before notice of renewal is required to be provided to the landlord under the master lease.) Failure by Franchisee to timely provide ZIPS the required notice constitutes a waiver by Franchisee of its option to remain a franchisee beyond the expiration of the Initial Term.

(3) In addition to timely providing notice to ZIPS, Franchisee must comply with all of the following conditions prior to and at the end of the Initial Term:

(a) Franchisee has satisfied all monetary obligations due to ZIPS and its affiliates.

(b) Franchisee shall not be in default under this Agreement or any other agreements between Franchisee and ZIPS or its affiliates; Franchisee shall not be in default

beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Business; Franchisee shall not be in default beyond the applicable cure period with any vendor or supplier to the Franchised Business; and, for the 6 months before the date of Franchisee's notice and the 6 months before the expiration of the Initial Term, Franchisee shall not have been in default beyond the applicable cure period under this Agreement or any other agreements between Franchisee and ZIPS or its affiliates.

(c) Franchisee shall make the capital expenditures required to renovate and modernize the Franchised Business to conform to the interior and exterior designs, décor, color schemes, furnishings and equipment and presentation of the Marks consistent with the image of the System for new ZIPS Dry Cleaners Businesses at the time Franchisee provides ZIPS the renewal notice, including such structural changes, remodeling, redecoration and modifications to existing improvements as may be necessary to do so.

(d) Franchisee has complied with ZIPS' then-current criteria for new ZIPS Dry Cleaners franchisees.

(e) Franchisee shall be in compliance with ZIPS' then-current training requirements.

(f) Franchisee shall submit to ZIPS written confirmation (in the form required by ZIPS and, if the Franchised Location is leased, such confirmation must be signed by the landlord) that Franchisee has the right to remain in possession of the Franchised Location, or other premises acceptable to ZIPS, for the first Renewal Term and all monetary obligations owed to Franchisee's landlord, if any, must be current.

(g) Franchisee, all individuals who executed this Agreement and all guarantors of Franchisee's obligations shall have executed a general release and a covenant not to sue, in a form satisfactory to ZIPS, of any and all claims against ZIPS and its affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between Franchisee and ZIPS or its affiliates and Franchisee's operation of the Franchised Business, other ZIPS Dry Cleaners Businesses operated by Franchisee and all other dry cleaning and laundry services businesses operated by Franchisee that are franchised by ZIPS or its affiliates.

(h) As determined by ZIPS in its sole discretion, Franchisee has operated the Franchised Business and all of its other franchised ZIPS Dry Cleaners Businesses in accordance with the applicable franchise agreements and the System (as set forth in the Manuals or otherwise and as revised from time to time by ZIPS) and has operated each of its other dry cleaning and laundry services businesses that are franchised by ZIPS or its affiliates in accordance with the applicable franchise agreement.

(4) No later than 60 days after ZIPS' receipt of Franchisee's written notice of its desire to renew, ZIPS shall advise Franchisee whether or not Franchisee is entitled to remain a franchisee for the first Renewal Term. If ZIPS intends to permit Franchisee to remain a franchisee for the first Renewal Term, ZIPS' notice will contain preliminary information regarding actions Franchisee must take to satisfy Sections 2B(3)(c) - (e). If ZIPS does not intend to permit Franchisee to remain a franchisee for the first Renewal Term, ZIPS' notice shall specify the reasons for non-renewal. If ZIPS chooses not to permit Franchisee to remain a franchisee for the

first Renewal Term, ZIPS shall have the right to unilaterally extend the Initial Term as necessary to comply with any applicable laws.

(5) If Franchisee will remain a franchisee for the first Renewal Term, ZIPS shall forward to Franchisee a new franchise agreement for the first Renewal Term for Franchisee's signature at least 60 days prior to the expiration of the Initial Term. The form of renewal franchise agreement shall be the form then in general use by ZIPS for ZIPS Dry Cleaners Businesses (or, if ZIPS is not then granting franchises for ZIPS Dry Cleaners Businesses, that form of agreement as specified by ZIPS) and likely will differ from this Agreement, including, but not limited to, provisions relating to the royalty fee and advertising obligations.

(6) Franchisee shall pay ZIPS a renewal fee in the amount of $10,000 for the first Renewal Term.

(7) No later than 30 days before the expiration of the Initial Term, Franchisee shall execute the renewal franchise agreement for the first Renewal Term and return the signed agreement to ZIPS, along with the renewal fee. Failure by Franchisee to sign the renewal franchise agreement and return it to ZIPS (along with the renewal fee) within this time shall be deemed an election by Franchisee not to renew the Franchise and shall result in termination of this Agreement and the Franchise granted by this Agreement at the expiration of the Initial Term.

(8) If Franchisee timely complies with all of the conditions set forth in this Section 2B, ZIPS shall execute the renewal franchise agreement and promptly return a fully-executed copy to Franchisee.

3. DEVELOPMENT PROCEDURES

A. Franchisee's Responsibility. Franchisee shall select a site for the Franchised Business from within the limited geographic area specified in Appendix A ("Designated Area"), which ZIPS will designate. ZIPS has the right to move or modify the Designated Area. The Designated Area shall be defined for the sole purpose of site selection and shall not confer to Franchisee any territorial exclusivity or protection. Franchisee assumes all cost, liability and expense for locating, obtaining and developing a site for the Franchised Business and for constructing, equipping and opening a ZIPS Dry Cleaners Business at the Franchised Location in accordance with ZIPS' standards. Franchisee shall not make any binding commitments to acquire any interest in a site until ZIPS has accepted that site in writing.

B. Site Selection Assistance. ZIPS will provide Franchisee the following site selection assistance: **(1)** ZIPS' site selection guidelines and, as Franchisee may request, a reasonable amount of consultation with respect thereto; and **(2)** such on-site evaluation as ZIPS may deem advisable as part of its evaluation of Franchisee's request for site acceptance.

C. Site Application

(1) For each proposed site for the Franchised Business, Franchisee must submit to ZIPS a site application ("Site Application"), in the form prescribed by ZIPS, that contains the information required by ZIPS. Each Site Application shall include, among other things, a description of the proposed site, a market feasibility study for the proposed site, a letter of intent (or other written confirmation demonstrating Franchisee's ability to acquire the proposed site) and a summary of how the site meets ZIPS' site selection guidelines. ZIPS may change its site selection guidelines from time to time. The site selection guidelines may include demographic

characteristics, traffic count and patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses (including business operated or franchised by ZIPS or its affiliates), the nature of other businesses in proximity to the site and other commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics and a site plan of the premises.

(2) Franchisee acknowledges that, in order to preserve and enhance the reputation and goodwill of all ZIPS Dry Cleaners Businesses and the goodwill of the Marks, the Franchised Business must be properly developed, operated and maintained.

(3) Franchisee must adequately capitalize the development of the Franchised Business and maintain the minimum net worth and amount of liquid capital as specified by ZIPS, in its sole discretion. Franchisee agrees that ZIPS may refuse to accept a site for the Franchised Business if Franchisee fails to demonstrate sufficient financial capabilities, in ZIPS' sole judgment, to properly develop, operate and maintain that Franchised Business. Franchisee shall furnish to ZIPS any financial statements and other information regarding Franchisee and/or the development and operation of the Franchised Business, including, without limitation, investment and financing plans for the Franchised Business, as ZIPS reasonably may require.

D. Site Acceptance

(1) Within 15 days after ZIPS' receipt of the completed Site Application (which shall include all information and materials relating to a proposed site that ZIPS reasonably requests), ZIPS will advise Franchisee in writing whether ZIPS has accepted or refused to accept the proposed site. If ZIPS does not respond within that time period, ZIPS will be deemed to have refused to accept the proposed site, unless ZIPS in its sole discretion extends the time to accept or refuse acceptance due to a request for additional information from any party. ZIPS' acceptance or refusal to accept a proposed site may be subject to reasonable conditions as determined by ZIPS in its sole discretion.

(2) Franchisee shall obtain written acceptance from ZIPS for a site for the Franchised Business no later than the date specified in Appendix A ("Site Acceptance Deadline").

(3) Franchisee agrees that its decision to develop and operate the Franchised Business at any site is based solely on Franchisee's independent investigation of the suitability of that site for a ZIPS Dry Cleaners Business. Franchisee agrees that ZIPS' acceptance of a site for the Franchised Business and any information communicated to Franchisee regarding ZIPS' site selection guidelines for ZIPS Dry Cleaners Businesses does not constitute a warranty or representation of any kind, express or implied, as to the suitability of any site for a ZIPS Dry Cleaners Business or for any other purpose. ZIPS' acceptance of a site is not a representation or promise by ZIPS that a ZIPS Dry Cleaners Business at that site will achieve a certain sales volume or a certain level of profitability. ZIPS' acceptance of one or more sites and its refusal to accept other sites is not a representation or promise that any accepted site will have a higher sales volume or be more profitable than a site that ZIPS did not accept. ZIPS' acceptance merely means that the site meets ZIPS' minimum site selection guidelines. Franchisee agrees that ZIPS' acceptance, or refusal to accept a proposed site, whether or not a Site Application is completed and/or submitted to ZIPS shall not impose any liability or obligation on ZIPS. The decision to accept or reject a particular site is Franchisee's, subject to ZIPS' acceptance. Preliminary acceptance of a proposed site by any ZIPS' representative is not conclusive or binding, because his or her recommendation may be rejected by ZIPS.

4. LEASE PROVISIONS

A. Copy of Lease. If Franchisee will lease or sublease the Franchised Location from a third party, Franchisee shall provide ZIPS with a copy of the fully-executed lease or sublease ("lease") (for a term, including renewal terms, for at least the Initial Term) for the Franchised Location within 30 days after the later of execution of this Agreement or written acceptance of the Franchised Location by ZIPS, but, in any event, prior to the commencement of construction at the Franchised Location. The lease shall not contain any covenants or other obligations that would prevent Franchisee from performing its obligations under this Agreement.

B. Required Lease Provisions. Any lease, letter of intent or lease memorandum for the Franchised Location shall contain provisions that satisfy the following requirements during the entire term of the lease, including any renewal terms:

(1) The landlord consents to Franchisee's use of the proprietary signs, distinctive exterior and interior designs and layouts, and the Marks prescribed by ZIPS. Upon expiration or the earlier termination of the lease, the landlord will permit Franchisee, at Franchisee's expense, to remove all such items and other trade fixtures, so long as Franchisee repairs any damage to the Franchised Location caused by such removal.

(2) The landlord will provide ZIPS (at the same time sent to Franchisee) a copy of all amendments, assignments and notices of default pertaining to the lease and the Franchised Location. If Franchisee fails to cure any default within the applicable cure period, ZIPS shall have the right (but not the obligation) to cure that default within 15 days after the expiration of the applicable cure period.

(3) Following reasonable notice to the landlord, ZIPS shall have the right to enter the Franchised Location to make any modifications or alterations necessary to protect the System and the Marks and to cure, within the time periods provided by the lease, any default under the lease, all without being guilty of trespass or other tort, and to charge Franchisee for these costs.

(4) The landlord agrees that Franchisee, and not ZIPS, shall be solely responsible for all obligations, debts and payments under the lease and that ZIPS shall have no liability in that regard.

(5) The landlord agrees that, following the expiration or earlier termination of this Agreement, Franchisee shall have the right to make those alterations and modifications to the premises as may be necessary to clearly distinguish to the public the premises from a ZIPS Dry Cleaners Business and also make those specific additional changes as ZIPS reasonably may request for that purpose. The landlord also agrees that, if Franchisee fails to promptly make these alterations and modifications, ZIPS shall have the right to do so without being guilty of trespass or other tort so long as ZIPS makes repairs to the building caused by such removal.

(6) The landlord agrees not to amend or otherwise modify the lease in any manner that would affect any of the foregoing requirements without ZIPS' prior written consent, which consent shall not be unreasonably withheld.

(7) Franchisee may assign the lease to ZIPS or its designee with landlord's consent (which consent shall not be unreasonably withheld) and without payment of any assignment fee or similar charge or increase in any rent or other amounts payable to the landlord.

(8) The landlord agrees to consent to Franchisee's collateral assignment of the lease to ZIPS or its designee, granting ZIPS the option, but not the obligation, to assume the lease from the date ZIPS takes possession of the leased premises, without payment of any assignment fee or similar charge or increase in any rents or other amounts payable to the landlord.

C. Lease Addendum. If Franchisee leases the Franchised Location, ZIPS will require Franchisee and the landlord to execute the form of lease addendum attached as Appendix E, which includes the terms set forth in Section 4B(1) – (8).

5. CONSTRUCTION OF THE BUSINESS

A. Plans

(1) It shall be Franchisee's responsibility to have prepared all required construction plans and specifications to suit the shape and dimensions of the Franchised Location, and Franchisee must ensure that the plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. ZIPS will provide Franchisee a generic (not site-specific) layout for a ZIPS Dry Cleaners Business. Franchisee will provide to ZIPS a site-specific layout within 30 days of receiving the generic layout. ZIPS must review and accept the site-specific layout prior to the commencement of the development of site-specific building plans ("Plans"). ZIPS recommends that Franchisee use an architect acceptable to ZIPS for developing the site-specific layout and the Plans for the Franchised Location. Franchisee is solely responsible for all amounts charged by the architect to develop the site-specific layout and/or Plans. If Franchisee does not use an acceptable architect, Franchisee must reimburse ZIPS for all costs and expenses incurred by ZIPS (including an hourly fee for any ZIPS employee) to assist Franchisee with developing the Plans. ZIPS must review and accept, in writing, the final Plans for conformance to the accepted site-specific layout and ZIPS brand standards prior to commencement of construction and, upon receipt of an invoice from ZIPS, Franchisee shall pay ZIPS the then-current hourly fee for review of those modified Plans plus any other costs incurred. Franchisee shall use only professional, insured and licensed architects, engineers and contractors to develop, establish and construct the Franchised Business.

(2) Franchisee shall, upon ZIPS' request, submit all revised or "as built" Plans during the course of such construction. ZIPS will accept or decline the Plans and notify Franchisee within 30 days after ZIPS receives the Plans. (ZIPS' acceptance shall not be unreasonably withheld.) Once ZIPS has accepted the Plans, ZIPS shall sign each page of the Plans acknowledging ZIPS' acceptance and Franchisee's obligation to construct the Franchised Business in accordance with those accepted Plans. Franchisee shall not make any substantial change to the Plans without the prior written acceptance by ZIPS, which shall not be unreasonably withheld. If, during the course of construction, Franchisee contemplates any such change in the Plans, Franchisee must obtain ZIPS' prior written acceptance of that change. ZIPS shall accept or decline Plan changes within 30 days after receipt of a written request from Franchisee.

(3) Franchisee is prohibited from beginning site preparation or construction prior to receiving written notification from ZIPS that it has accepted the Plans. All construction must be in accordance with the Plans accepted by ZIPS and must comply in all respects with applicable laws, ordinances and local rules and regulations. If construction has not been performed in substantial compliance with the Plans accepted by ZIPS, ZIPS will not authorize Franchisee to open the Franchised Business. If such non-compliance is not cured within a

commercially reasonable amount of time, ZIPS may terminate this Agreement and Franchisee will not be permitted to open the Franchised Business as a ZIPS Dry Cleaners Business.

B. Commencement and Completion of Construction

(1) Construction of the Franchised Business shall commence no later than the date specified in Appendix A ("Construction Commencement Deadline"). Prior to the commencement of construction, Franchisee shall have: **(a)** eliminated or otherwise satisfied all of the conditions listed identified by ZIPS in writing; **(b)** paid all amounts due to ZIPS under this Agreement or any other agreement; and **(c)** provided ZIPS a copy of the fully-executed lease for the Franchised Location (containing the provisions required by Section 4B) or, if Franchisee owns the Franchised Location, proof of that ownership interest. As used in this Agreement, construction shall have commenced only after Franchisee has obtained all required permits and: **(1)** with respect to new construction, Franchisee has begun the installation of building footings with the intent to maintain continuous construction thereafter; or **(2)** with respect to a location that is being renovated from a prior use, Franchisee has begun the installation of sub-floor plumbing with the intent to maintain continuous construction thereafter.

(2) Once construction has commenced, it shall continue uninterrupted (except for interruption by reason of events constituting Force Majeure as defined in Section 30) until completed. If events constituting Force Majeure cause a delay in the commencement of construction of the Franchised Business, ZIPS shall proportionately extend the Opening Deadline (as defined below). Notwithstanding the occurrence of any events, except events constituting Force Majeure, construction shall be completed, and the Franchised Business shall be furnished, equipped and otherwise ready to open for business in accordance with this Agreement no later than the date specified in Appendix A ("Opening Deadline").

(3) Franchisee shall pay ZIPS all costs incurred by ZIPS to assist Franchisee with construction management including, without limitation, an hourly fee for any employee of ZIPS who assists Franchisee with construction management.

C. Acquisition of Necessary Furnishings, Fixtures, Equipment and Signage

(1) Franchisee agrees to use in the development and operation of the Franchised Business only those fixtures, furnishings, equipment and signs that ZIPS has approved as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the Franchised Business (interior and exterior) only those signs, emblems, lettering, logos and display materials that ZIPS approves in writing from time to time.

(2) Franchisee shall purchase or lease approved brands, types or models of fixtures, furnishings, equipment and signs only from suppliers designated or approved by ZIPS, which may include ZIPS and its affiliates. If Franchisee proposes to purchase, lease or otherwise use any fixtures, furnishings, equipment or signs that have not been approved by ZIPS, Franchisee shall first notify ZIPS in writing and shall, at its sole expense, submit to ZIPS sufficient specifications, photographs, drawings and/or other information or samples for a determination as to whether those fixtures, furnishings, equipment and/or signs comply with ZIPS' specifications and standards. ZIPS will, in its sole discretion, approve or disapprove the items and notify, in writing, Franchisee within 30 days after ZIPS receives the request.

D. Start Up Materials. Prior to the opening of the Franchised Business, Franchisee must purchase from approved suppliers (including ZIPS or its affiliates) certain supplies, marketing materials, fixtures and other branded items, as specified in the Manuals. ZIPS may change the items and/or quantities of such items that Franchisee must purchase.

E. Inspection, Cooperation. During the course of construction and/or renovation, ZIPS shall have the right to inspect the Franchised Location and the course of construction and/or renovation. Franchisee shall (and shall cause Franchisee's architect, engineer, contractors, and subcontractors to) cooperate fully with ZIPS and its designees for the purpose of permitting ZIPS and its designees to inspect the Franchised Location and the course of construction of the Franchised Business in order to determine whether construction is proceeding according to the approved Plans.

F. Reports. Franchisee shall submit to ZIPS a weekly report, as and when required by ZIPS, showing progress made towards fulfilling the terms of this Agreement.

G. Limitation of ZIPS' Liability. Notwithstanding ZIPS' acceptance of an architect and ZIPS' right to accept the Plans, review the lease for the Franchised Location and inspect the construction work, ZIPS and its designees shall have no liability or obligation with respect to the Franchised Location, the design or construction of the Franchised Business or the furnishings, fixtures and equipment to be acquired. ZIPS' rights are exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

H. Financing. Without the prior written approval of ZIPS, which shall not be unreasonably withheld, the construction, renovation and/or operation of the Franchised Business shall not be financed by a public or private offering of any right, title or interest in the Franchised Business, the property upon which it is built or the receipts from its operation.

6. RIGHT TO OPEN THE BUSINESS

A. Notice to ZIPS. Franchisee shall provide ZIPS 30 days' advance written notice of the date that Franchisee expects construction and/or renovation of the Franchised Business to be completed and a certificate of occupancy to be issued. Franchisee shall submit a copy of the certificate of occupancy to ZIPS. ZIPS reserves the right, after receiving Franchisee's notice, to conduct a final inspection of the Franchised Business and the Franchised Location to determine if Franchisee has complied with this Agreement. ZIPS shall not be liable for delays or loss occasioned by its inability to complete its investigation and make a determination within that 30-day period. Franchisee shall not open the Franchised Business without ZIPS' express written authorization, which will not be granted unless Franchisee has satisfied the conditions contained in Section 6B.

B. Opening Conditions. ZIPS will not authorize the opening of the Franchised Business unless all the following conditions have been satisfied:

(1) Franchisee is not in default under this Agreement or any other agreements with ZIPS or its affiliates, Franchisee is not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Business, Franchisee is not in default beyond the applicable cure period with any vendor or supplier to the Franchised Business and, for the previous 6 months, Franchisee has not been in default beyond the applicable cure period under any agreement with ZIPS or its affiliates.

(2) Franchisee is current on all obligations due ZIPS and its affiliates.

(3) ZIPS is satisfied that the Franchised Business was constructed and/or renovated substantially in accordance with the Plans accepted by ZIPS, this Agreement and state and local codes. If Franchisee builds any portion of the Franchised Business outside of the Plans or ZIPS' specifications without receiving ZIPS' prior written consent, ZIPS shall have the right to delay the opening of the Franchised Business until Franchisee, at its sole expense, brings the construction into full compliance with the Plans and ZIPS' specifications.

(4) If the Franchised Location is leased, ZIPS has received a copy of the fully-executed lease, which contains the provisions required by Section 4B.

(5) Franchisee has obtained a certificate of occupancy and any other required health, safety, fire department, building, utility, sign, sanitation, business and other permits and licenses applicable to the Franchised Business.

(6) Franchisee has certified to ZIPS in writing that the installation of all furnishings, fixtures, equipment, signs, computer systems, point of sale systems and related equipment, supplies and other items has been accomplished in accordance with the Plans.

(7) Franchisee has met all training requirements.

(8) ZIPS has been furnished with copies of all insurance policies required by Section 17.B or such other evidence of insurance coverage and payment of premiums as ZIPS reasonably may request.

(9) Franchisee has paid any amounts required by ZIPS.

(10) At least 1 person has successfully been trained and certified in the initial training program in accordance with Section 12A.

(11) Franchisee has obtained the number of telephone lines dedicated to the Franchised Business as required by ZIPS in the Manuals or otherwise in writing.

(12) Franchisee is in compliance with all reporting obligations to ZIPS.

C. Opening Date. ZIPS will authorize in writing the opening of the Franchised Business and identify the date that Franchisee actually opens the Franchised Business in a written notice to Franchisee in the form set forth in Rider 1. In connection with the opening, Franchisee shall complete any forms or surveys provided by ZIPS relating to the development and/or construction of the Franchised Business including a summary of the construction costs incurred by Franchisee within 90 days of the Opening Date.

7. FEES

A. Initial Franchise Fee. Franchisee shall pay ZIPS an Initial Franchise Fee in the amount set forth in Appendix A, which is payable as set forth in Appendix A. Franchisee acknowledges and agrees that the Initial Franchise Fee was paid in consideration of ZIPS initially granting this Franchise, it was fully earned at the time paid, and it is not refundable.

B. Royalty Fee. In addition to all other amounts to be paid by Franchisee to ZIPS, Franchisee shall pay ZIPS a nonrefundable and continuing royalty fee in the amount of 6% of Royalty Net Sales of the Franchised Business, for the right to use the System and the Marks at the Franchised Location. The royalty fee shall be calculated for the fiscal period designated by ZIPS from time to time and must be paid to ZIPS by the Due Date, as specified by ZIPS.

C. Total Marketing Obligation. Franchisee shall have a total marketing obligation ("Total Marketing Obligation") in the amount of 5% of Royalty Net Sales, which will be divided among the National Marketing Fund, any Regional Marketing Fund (or, any Regional Co-op) and Local Store Marketing. The amount and allocation of the Total Marketing Obligation, as of the date of this Agreement, are explained in Section 9 and set forth in attached Appendix B.

D. Definition of Royalty Net Sales. Royalty Net Sales shall include all revenue from the sale of all products and services and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed but not when purchased and proceeds from business interruption insurance) related to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit. Royalty Net Sales shall not include: **(1)** any sales taxes or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority; **(2)** the sale of services for which refunds have been made in good faith to customers; or **(3)** the sale of equipment used in the operation of the Franchised Business. Royalty Net Sales shall include, without limitation, monies or credit received from the sale of merchandise, from tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Franchised Business.

E. Sales Reports. By the day and time specified by ZIPS, Franchisee shall submit to ZIPS in writing (or by electronic mail, polling by computer or such other form or method as ZIPS may designate) the amount of Royalty Net Sales from the Franchised Business for the fiscal period designated by ZIPS from time to time. Franchisee shall use any forms required by ZIPS to provide such information and shall include in that report any other data or information required by ZIPS.

F. Payment of Fees.

(1) All fees and other amounts owed to ZIPS and/or its affiliates must be paid by pre-authorized bank debit and must be received by ZIPS or credited to ZIPS by no later than the day and time specified by ZIPS from time to time ("Due Date"). Franchisee must furnish to ZIPS and Franchisee's bank all authorizations necessary to affect electronic funds transfers from Franchisee's bank account ("Account"). If the Account does not have sufficient funds to pay ZIPS in full for any amount due to ZIPS on the Due Date, Franchisee shall pay to ZIPS any fees, charges or expenses incurred by ZIPS and such failure shall constitute a default of this Agreement pursuant to Section 23B(2).

(2) If Franchisee has not reported Royalty Net Sales to ZIPS for any period, ZIPS may transfer from the Account an amount calculated in accordance with an estimate of the Royalty Net Sales for that period (which will not exceed 125% of the highest payment paid to ZIPS during the last 12 months). If, at any time, ZIPS determines that Franchisee has underreported the Royalty Net Sales of the Franchised Business, or underpaid the royalty fee or other amounts, ZIPS shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after ZIPS and Franchisee determine that such credit is due.

(3) ZIPS may modify, among other things, at its option, the method by which Franchisee must pay any amount due to ZIPS, the Due Date for any payment, the fiscal period used to calculate any payment, and any forms that must be submitted to ZIPS in connection with such payments, effective upon Franchisee's receipt of written notice from ZIPS. Franchisee may not, under any circumstances, set off, deduct or otherwise withhold any amounts payable to ZIPS under this Agreement on grounds of ZIPS alleged non-performance of any obligations.

G. Taxes. Franchisee must report and pay when due all local, state, and federal taxes levied or assessed on Franchisee and the Franchised Business. If any taxes are imposed on ZIPS by reason of ZIPS acting as a franchisor or licensing the Marks under this Agreement, Franchisee must reimburse ZIPS the amount of those taxes within 30 days after receipt of an invoice from ZIPS.

H. Interest and Late Fees. If any payments by Franchisee due to ZIPS are not received by ZIPS by the Due Date, Franchisee, in addition to paying the amount owed, shall pay ZIPS interest on the amount owed from the Due Date until paid at the maximum rate permitted for indebtedness of this nature in the state in which the Franchised Business is located, not to exceed 1.5% per fiscal period (as defined by ZIPS from time to time) or a portion of a fiscal period. In addition to the interest on late payments, ZIPS, in its sole discretion, may charge Franchisee a late charge of $500 for each delinquent payment or report that is received after the Due Date. Payment of interest and late fees by Franchisee on past-due obligations is in addition to all other remedies and rights available to ZIPS pursuant to this Agreement or under applicable law.

I. Collection Costs and Expenses. Franchisee agrees to pay to ZIPS on demand any and all costs and expenses incurred by us in enforcing the terms of this Agreement, including, without limitation, collecting any monies owed by Franchisee to ZIPS. These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees (including attorneys' fees for in-house counsel employed by ZIPS or its affiliates and any attorneys' fees incurred by us in bankruptcy proceedings), costs incurred in creating, reconciling or replicating reports demonstrating Royalty Net Sales of the Franchised Business, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.

J. Partial Payments and Allocation of Payments. No payment by Franchisee or acceptance by ZIPS of any monies under this Agreement for a lesser amount than due shall be treated as anything other than a partial payment on account. Franchisee's payment of a lesser amount than due with an endorsement, statement or accompanying letter to the effect that payment of the lesser amount constitutes full payment shall be given no effect, and ZIPS may accept the partial payment without prejudice to any rights or remedies it may have against Franchisee. Acceptance of payments by ZIPS other than as set forth in this Agreement shall not constitute a waiver of ZIPS' right to demand payment in accordance with the requirements of this Agreement or a waiver by ZIPS of any other remedies or rights available to it pursuant to this Agreement or under applicable law. Notwithstanding any designation by Franchisee, ZIPS shall have sole discretion to apply any payments by Franchisee to any of its past due indebtedness for royalty fees, advertising contributions, purchases from ZIPS or its affiliates, interest or any other indebtedness. ZIPS has the right to accept payment from any other entity as payment by Franchisee. Acceptance of that payment by ZIPS will not result in that other entity being substituted for Franchisee.

8. RECORDKEEPING AND REPORTS

A. Recordkeeping. Franchisee shall keep and maintain, in accordance with any procedures set forth in the Manuals, complete and accurate books and records pertaining to the Franchised Business. The books and records shall be kept and maintained using generally accepted accounting principles ("GAAP"). Franchisee must preserve all of its books, records and state and federal tax returns for at least 5 years after the later of preparation or filing (or such longer period as may be required by any governmental entity) and make them available and provide duplicate copies to ZIPS within 5 days after ZIPS' written request.

B. Periodic Reports. No later than the 15th calendar day of each month, Franchisee shall, at Franchisee's expense, submit to ZIPS, in the form prescribed by ZIPS, a monthly balance sheet and a monthly and year-to-date profit and loss statement (both of which may be unaudited) for the prior calendar month. ZIPS shall have the right to require that Franchisee provide to ZIPS profit and loss statements and balance sheets at any other time. Each statement and balance sheet shall be signed by Franchisee or Franchisee's treasurer or chief financial officer attesting that the statement or balance sheet is true, correct and complete and uses accounting principles applied on a consistent basis which accurately and completely reflect the financial condition of Franchisee.

C. Annual Reports. No later than March 15 of each year, Franchisee shall, at its expense, provide to ZIPS, in both hard copy and in an electronic format approved by ZIPS, a compiled profit and loss statement and balance sheet for the Franchised Business for the prior year, which must be signed by Franchisee or by Franchisee's treasurer or chief financial officer attesting that the financial statements present fairly the financial position of Franchisee and the results of operations of the Franchised Business during the period covered. ZIPS shall have the right, in its reasonable discretion, to require that Franchisee, at Franchisee's expense, submit audited financial statements prepared by a certified public accounting firm acceptable to ZIPS for any year or any period or periods of a year.

D. Other Reports. Franchisee shall submit to ZIPS, for review or auditing, such other forms, reports, records, information and data as ZIPS may reasonably designate, in the form and at the times and places reasonably required by ZIPS, upon request and as specified from time to time in the Manuals or otherwise in writing. ZIPS shall have the right to release any financial or operational information relating to the Franchised Business to ZIPS' lenders or prospective lenders.

E. Public Filings. If Franchisee is or becomes a publicly-held entity, Franchisee shall send to ZIPS copies of all reports (including responses to comment letters) and schedules Franchisee may file with the U.S. Securities and Exchange Commission (certified by Franchisee's chief executive officer to be true, correct, complete and accurate) and copies of any press releases Franchisee issues, within 3 days of the filing of those reports or schedules or the issuance of those releases.

F. Audit Rights. ZIPS or its designee shall have the right at all reasonable times, both during and after the term of this Agreement, to inspect, copy and audit Franchisee's books, records, federal, state and local tax returns, and such other forms, reports, information and data as ZIPS reasonably may designate, applicable to the operation of the Franchised Business. If an inspection or audit discloses that any payments to ZIPS have been underpaid, Franchisee shall, within 5 days after receipt of the inspection or audit report, pay ZIPS the deficiency plus interest (at the rate and on the terms provided in Section 7H) from the Due Date until the date of payment. If an inspection or audit is made necessary by Franchisee's failure to furnish reports or supporting records as required under this Agreement, or to furnish such reports, records or information on a

timely basis, or if an understatement of Royalty Net Sales for the period of any audit is determined by any audit or inspection to be greater than 2%, Franchisee also shall reimburse ZIPS for the reasonable cost of the audit or inspection including, without limitation, the charges of attorneys and independent accountants, and the travel expenses, room, board and compensation of ZIPS' employees or designees involved in the audit or inspection. The foregoing remedies shall be in addition to all other remedies and rights available to ZIPS under this Agreement or applicable law.

G. Preparation of Reports. If Franchisee fails to provide to ZIPS, on a timely basis, any record, report and other information required by this Agreement or, upon request of ZIPS, with copies of same, ZIPS or its designee shall have access at all reasonable times (and as often as necessary) to Franchisee's books and records for the purpose, among other things, of preparing the required records, reports and other information. Franchisee promptly shall reimburse ZIPS or its designee for all costs and expenses associated with ZIPS obtaining or preparing such records, reports or other information.

H. Release of Records. At ZIPS' request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to ZIPS all accounting and financial records relating to the operation of the Franchised Business including, but not limited to, records evidencing Royalty Net Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within that person's possession, custody or control. Franchisee will execute all documentation necessary to authorize the release of such records.

9. MARKETING AND PROMOTION

A. New Store Marketing.

(1) In addition to and not in lieu of the Total Marketing Obligation and any expenditures for local advertising and promotion, Franchisee shall expend a minimum of Ten Thousand Dollars ($10,000) for new store opening advertising and promotional programs in conjunction with the Franchised Business' initial opening, pursuant to a new store marketing plan developed by ZIPS or developed by Franchisee and approved in writing by ZIPS (the "New Store Marketing Program"). The New Store Marketing Program shall be submitted by Franchisee to ZIPS for approval no later than 90 days before the scheduled opening of the Franchised Business. The New Store Marketing Program shall be executed and completed during a period designated by ZIPS. The new store opening period typically begins 90 days before the scheduled opening of the Franchised Business and continues for 120 days after the Franchised Business first opens for business, subject to changes ZIPS may require based on the particular market area or other unique circumstances of the Franchised Business, as determined by ZIPS. Franchisee shall submit to ZIPS, for ZIPS' prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by ZIPS, subject to the limitations provided in Section 9G(2). ZIPS recommends that Franchisee spend more than the minimum New Store Marketing Program on opening advertising. Franchisee shall submit to ZIPS proof of New Store Marketing expenditures as incurred. If Franchisee does not spend the entire amount for the New Store Marketing Program, ZIPS may in its sole discretion spend that amount for advertising for the Franchised Business or place the remainder of the New Store Marketing Program into the National Marketing Fund and, Franchisee understands that, if any portion of the Fee is placed in the National Marketing Fund, such placement will not reduce or otherwise modify Franchisee's obligation to pay the fee to the National Marketing Fund under Section 9C. ZIPS reserves the right to require Franchisee to deposit with ZIPS the funds required under this Section 9A to distribute as

may be necessary to conduct the New Store Marketing Program. Franchisee agrees to comply with our then current guidelines in connection with the New Store Marketing Program.

(2) Stores opening in new markets may require substantially more marketing during the initial stages of market and brand development. ZIPS recommends that if the Franchised Business opens in a region that ZIPS has little or no brand awareness as determined by ZIPS ("New Market"), Franchisee execute and complete additional advertising and promotional programs ("New Market Program"). Any New Market Program will be developed by ZIPS or developed by Franchisee and approved in writing by ZIPS no later than 30 days prior to the implementation of the program.

B. Total Marketing Obligation. In addition to the New Store Marketing Fee, during the Initial Term, Franchisee shall have a Total Marketing Obligation of 5% of Royalty Net Sales, which will be allocated among the National Marketing Fund, any Regional Marketing Fund (or, any Regional Co-op) and Local Store Marketing as set forth in Appendix B. Upon Franchisee's receipt of written notice, ZIPS may increase and reallocate the Total Marketing Obligation; however, Franchisee's Total Marketing Obligation will not exceed 5% of Royalty Net Sales except, potentially, in the case of a Regional Co-Op as described in Section 9F(4).

C. National Marketing Fund. ZIPS shall have the right, in its sole discretion, to establish and administer a national marketing fund for ZIPS Dry Cleaners Businesses ("National Marketing Fund"). As of the date of this Agreement, Franchisee shall contribute the portion of the Total Marketing Obligation prescribed by ZIPS in Appendix B to the National Marketing Fund. The National Marketing Fund contribution will not exceed 4% of Royalty Net Sales. If any portion of the Total Marketing Obligation is allocated to the National Marketing Fund, Franchisee shall pay the National Marketing Fund contribution at the same time and in the same manner as the royalty fee. ZIPS Dry Cleaners Businesses operated by ZIPS ("Company Owned Businesses") will contribute to the National Marketing Fund on the same basis as comparable franchisees.

D. Regional Marketing Funds. ZIPS shall have the right, in its sole discretion, to establish and administer one or more regional marketing funds ("Regional Marketing Funds") for ZIPS Dry Cleaners Businesses. If a Regional Marketing Fund is established for a geographical area that includes the Franchised Location, Franchisee shall contribute to the Regional Marketing Fund the portion of the Total Marketing Obligation prescribed by ZIPS, which will not exceed 3% of Royalty Net Sales. Company Owned Businesses in the geographic area will contribute to the Regional Marketing Funds on the same basis as comparable franchisees.

E. Treatment of Marketing Funds.

(1) ZIPS or its designee shall direct all advertising, marketing, brand reputation, and public relations programs and activities financed by the National Marketing Fund and any Regional Marketing Fund (collectively, "Funds"), with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. Franchisee agrees that the Funds may be used, among other things, to pay the costs of preparing and producing such associated materials and programs as ZIPS or its designee may determine, including (i) preparing and producing digital, video, audio and written advertising materials; (ii) developing, implementing, and maintaining an electronic commerce Website (as defined in Section 9.J) and/or related strategies; (iii) research, development and promotion to improve our System standards, customer loyalty programs, customer rewards programs, and brand reputation, including, without limitation, social media and reputation management programs; (iv) employing advertising

agencies; (iv) sponsorship of sporting, charitable or similar events; (vi) administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist with these efforts; (vii) supporting public relations, market research and other advertising, promotional and marketing activities; (viii) and informational, operational and reporting system modifications, enhancements, or additions required to support ZIPS' marketing efforts. Franchisee agrees to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Funds.

(2) ZIPS shall separately account for payments to the Funds; however, ZIPS shall not be required to segregate the monies in the Funds from ZIPS' other monies. ZIPS shall not use such monies to defray any of ZIPS' general operating expenses. The Funds may hire employees, either full-time or part-time, for administration of the Funds. ZIPS and its affiliates may be reimbursed by the Funds for expenses related to ZIPS' marketing programs including, without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions. ZIPS may spend in any fiscal year an amount greater or less than the aggregate contribution of all ZIPS Dry Cleaners Businesses to the Funds during that year or cause the Funds to invest any surplus for future use by the Fund. ZIPS will prepare an annual statement of monies collected and costs incurred by each Fund and will furnish that statement to Franchisee within a reasonable period of time following ZIPS' receipt of a written request from Franchisee. ZIPS or its designee will have the right to cause the Funds to be incorporated or operated through an entity separate from ZIPS at such time as ZIPS or its designee deems appropriate, and such successor entity shall have all rights and duties of ZIPS pursuant to this Section 9.E.

(3) Franchisee understands and acknowledges that the Funds are intended to enhance recognition of the Marks and patronage of ZIPS Dry Cleaners Businesses. ZIPS will endeavor to utilize the monies in the Funds to develop advertising and marketing materials and programs and to place advertising that will benefit the System and all ZIPS Dry Cleaners Businesses contributing to the Funds. However, Franchisee agrees that ZIPS is not liable to Franchisee, and Franchisee forever covenants not to sue and holds ZIPS harmless of any liability or obligation to ensure that expenditures by any Fund in or affecting any geographic area (including the Franchised Location) are proportionate or equivalent to the contributions to that Fund by ZIPS Dry Cleaners Businesses operating in that geographic area, or that any ZIPS Dry Cleaners Business will benefit directly or in proportion to its contribution to that Fund from the development of advertising and marketing materials or the placement of advertising. Except as provided in this Section 9, neither ZIPS nor its designee assumes any direct or indirect liability to Franchisee with respect to the maintenance, direction or administration of the Funds. Franchisee further acknowledges that the Funds are not trusts and that ZIPS assumes no fiduciary duty to Franchisee in connection with the creation or administration of the Funds.

(4) ZIPS reserves the right, in its sole discretion, to: **(a)** suspend contributions to and operations of any Fund for any period that ZIPS determines to be appropriate; **(b)** terminate any Fund upon 30 days' written notice to Franchisee and establish, if ZIPS so elects, in its sole discretion, a different marketing fund; **(c)** upon the written request of any ZIPS Dry Cleaners Business or any Company Owned Business, defer or waive, in whole or in part, any marketing contribution required by this Section if, in ZIPS' sole judgment, there has been demonstrated unique, objective circumstances justifying any such waiver or deferral; or **(d)** form and terminate advertising councils. Upon termination of any Fund, ZIPS shall spend all monies in that Fund for advertising and/or promotional purposes. ZIPS has the right to reinstate any Fund upon the same terms and conditions set forth in this Agreement upon 30 days' prior written notice to Franchisee.

F. Regional Co-op.

(1) In lieu of a Regional Marketing Fund that is administered by ZIPS under Section 9D, ZIPS, in its sole discretion, may establish (or direct a group of franchisees to establish) a regional advertising and sales promotion cooperative ("Regional Co-op") for a regional area ("Designated Market Area" or "DMA") that includes the Franchised Location. The Regional Co-op shall be organized and governed in a form and manner and shall commence operations on a date, approved in advance by ZIPS in writing. ZIPS may, if it so elects, prepare bylaws and other entity documents to be used by the Regional Co-op and may require the Regional Co-op to incorporate.

(2) If a Regional Co-op is established in a DMA in which the Franchised Location is located, Franchisee must become a member of such Regional Co-op upon commencement of operation of the Franchised Business if the Regional Co-op is in existence at that time, or no later than 30 days after the date on which the Regional Co-op commences operation. In no event shall Franchisee be required to be a member of more than one Regional Co-op with respect to the Franchised Business.

(3) Each Regional Co-op shall be organized for the exclusive purpose of developing the brand, administering regional marketing programs and developing, subject to ZIPS' approval, standardized promotional materials for use by the Co-op's members in local advertising. All advertising and marketing shall be submitted to ZIPS prior to first use and all advertising and marketing shall adhere to the standards specified by ZIPS.

(4) Franchisee shall contribute to the Regional Co-op the Regional Co-op contribution amount set by the Regional Co-op, which shall not be less than the minimum amount of the Total Marketing Obligation designated by ZIPS. Franchisee acknowledges that: (a) ZIPS will set a minimum Co-op contribution amount that Franchisee must contribute to the Regional Co-op; (b) the members of any Regional Co-op may vote to increase the minimum Co-op contribution; (3) if the members vote to increase the Regional Co-op contribution, the total marketing expenditure may exceed 5% of Royalty Net Sales. Company Owned Businesses that join a Regional Co-op will have one vote for each Business operated in the geographic area covered by a Regional Co-op.

(5) ZIPS or its designee shall have the right to terminate (and subsequently reinstate) any Regional Co-op. Upon termination, all monies in the Regional Co-op shall be spent for advertising and/or promotional purposes. ZIPS or its designee shall have the sole right, but not the obligation, to enforce the obligations of franchisees who are members of the Regional Co-op to contribute to the Regional Co-op and neither Franchisee nor any other franchisees who contribute to the Regional Co-op shall be deemed a third party beneficiary with respect to the Regional Co-op obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Regional Co-op.

G. Local Store Marketing.

(1) Franchisee shall spend, on a monthly basis, the portion of the Total Marketing Obligation prescribed by ZIPS in Appendix B for approved local store marketing ("Local Store Marketing"), which shall be at least 1% of Royalty Net Sales; provided however, that if Franchisee is required to contribute (and Franchisee timely makes such contributions) to a Regional Marketing Fund or a Regional Co-op, Franchisee's Local Store Marketing obligation may be reduced so that in no event shall Franchisee's Total Marketing Obligation be more than

5% of Royalty Net Sales (or such additional amount as required by the Regional Co-op as set forth in Section 9F(4). Franchisee acknowledges that ZIPS shall not be required to reimburse Franchisee for any amount that Franchisee's Regional Marketing Fund contribution or the Regional Co-op contribution exceeds Franchisee's Local Store Marketing obligation.

(2) ZIPS or its designee periodically shall advise Franchisee of the advertising and sales promotions authorized by ZIPS and may provide general guidelines for Local Store Marketing. Local advertising and promotion materials may be purchased from any approved source. These materials and procedures for disseminating such materials must comply with federal and local laws and regulations, including but not limited to, the Lanham Act, 15 U.S.C. § 1125 et seq.; the Telephone Consumer Protection Act, 47 U.S.C. § 227 et seq. (the "TCPA"); 47 CFR 64.1200; the Controlling the Assault of Non-Solicited Pornography And Marketing Act, 15 U.S.C. § 103 et seq. ("CAN SPAM"); and 16 CFR 316, and with the guidelines for advertising and promotion promulgated from time to time by ZIPS or its designee. Advertising, marketing, or other communication to customers or potential customers by telephone, including telephone calls and text messages, or facsimile shall be done, if at all, at the sole discretion and the direction of Franchisee and shall not be reviewed, approved, or otherwise controlled by ZIPS. Franchisee agrees that Franchisee will be solely responsible for complying with any laws pertaining to communications by telephone, including telephone calls and text message, or facsimile, including but not limited to, the TCPA. Franchisee is responsible for retaining independent counsel for advice on compliance with all federal, state, and local laws and regulations pertaining to such practices. All print, e-mail, and online advertising materials shall be submitted to ZIPS or its designee prior to first use for written approval by ZIPS. In no event shall Franchisee's print, email, or online advertising materials contain any statement or material that, in the sole discretion of ZIPS, may be considered: **(a)** in bad taste or offensive to the public or to any group of persons; **(b)** defamatory of any person or an attack on any competitor; **(c)** to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or **(d)** inconsistent with the public image of ZIPS or the System. ZIPS shall have the right to require Franchisee to include in advertising and promotional materials any information or statements, including that "Franchises Are Available."

(3) Within 30 days after the end of each calendar quarter, Franchisee shall provide ZIPS or its designee copies of all documentation demonstrating the amount and types of Local Store Marketing expenditures made by Franchisee in the prior calendar quarter. If, in any period designated by ZIPS, Franchisee spends less than the required amount for authorized and approved Local Store Marketing, the difference between the required amount and the amount actually spent shall be paid to the National Marketing Fund or as otherwise directed by ZIPS, within 10 days after demand for payment is sent to Franchisee. In determining whether Franchisee has spent the required amount in any period, only expenditures made in that period will be counted, there will be no carryover from any previous period of any expenditures and ZIPS will exclude payments for any expenditures ZIPS deems inappropriate (including but not limited to free or discounted dry cleaning and laundry services, employee incentive programs, charitable contributions, sponsorship of sporting, charitable, or similar events, public relations firms, dedicated employee salary, employing advertising agencies, lighting, signage, décor, directory listings, entertainment discount books, the purchase or maintenance of vehicles and other similar payments without ZIPS prior written consent).

H. Marketing Materials. From time to time, ZIPS or its designee may furnish Franchisee with marketing, advertising and promotional materials at the cost of producing them, plus any related shipping, handling and storage charges. Franchisee shall not modify any of these materials without ZIPS' prior written consent.

I. Websites and Internet Marketing. ZIPS has established and maintains an Internet presence, including but not limited to websites that provide information about the System and the services provided by ZIPS Dry Cleaners Businesses. The term "Website" as used in this Agreement means an interactive electronic document or page connected to the World Wide Web, including but not limited to mobile media and social media pages (such as Facebook, Twitter, and Yelp) or other Internet presence. ZIPS has the right, but not the obligation, to include on a Website information about the Franchised Business. If ZIPS includes such information, ZIPS may require Franchisee, at its sole expense, to prepare all or a portion of that information using a template provided by ZIPS. ZIPS must approve all content that Franchisee requests to be posted on ZIPS' Website. ZIPS owns all intellectual property and other rights to control, modify, or delete the Website, and all information contained therein (including, without limitation, all domain names, URLs, logs of Website visitors, and any and all personal or business data that Website visitors supply). ZIPS retains the sole right to market on the Internet, including the use of a Website, domain name, URL, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for ZIPS' Internet marketing and shall be required to follow ZIPS' Intranet and Internet usage rules, policies and requirements. ZIPS retains the sole right to approve any linking or other use of a Website. In connection with any Website that refers to the Franchised Business, the services or products offered by ZIPS, or the Marks, you agree to the following:

(1) Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without ZIPS' prior written consent;

(2) Franchisee will not establish a Website or permit any other party to establish a Website that relates in any manner to the Franchised Business or referring to the Marks;

(3) ZIPS has the right, but not the obligation, to provide one or more references or webpage(s) to the Franchised Business, as ZIPS may periodically designate, within ZIPS' Website;

(4) If ZIPS ever does approve in writing a request for Franchisee to use a separate Website, then ZIPS has the right to require that Franchisee meets any or all of the following requirements: **(a)** Franchisee agrees that any Website that Franchisee owns or that is maintained for Franchisee's benefit will be deemed "advertising" under this Agreement, and will be subject to (among other things) the Company's prior written approval pursuant to this Section 9; **(b)** Franchisee will not establish or use any Website without ZIPS' prior written approval; **(c)** before establishing any Website, Franchisee will submit to ZIPS, for ZIPS' prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta data and meta tags) in the form and manner ZIPS may reasonably require; **(d)** Franchisee will not use or modify any such Website without ZIPS' prior written approval as to such proposed use or modification; **(e)** in addition to any other applicable requirements, Franchisee will comply with ZIPS' written standards and specifications for Websites, whether set forth in the Manuals or otherwise; **(f)** upon ZIPS' written request, Franchisee will promptly establish and maintain links from Franchisee's Website to ZIPS' Website (and such other Websites as ZIPS may request).

J. Telephone and Online Directory Listings. All online directory listings are the property of and are administered by ZIPS. Franchisee shall maintain, at its sole expense, one or more telephone and online directory listings for the Franchised Business as ZIPS requires from time to time.

10. MANUALS

A. Loan by ZIPS. Franchisee acknowledges receipt upon access to an electronic version of ZIPS' confidential and proprietary Manuals, which contain information and knowledge that is unique, necessary and material to the System. (As used in this Agreement, the term "Manuals" also includes other publications, materials, drawings, memoranda, videotapes, audio tapes, CDs and DVDs and electronic media that ZIPS from time to time may loan to Franchisee.) The Manuals shall remain the sole property of ZIPS. Franchisee's electronic access to the manuals will be removed upon the termination or expiration of this Agreement. Franchisee shall promptly return any print copies of the Manuals to ZIPS upon the termination or expiration of this Agreement.

B. Revisions to the Manuals. ZIPS may supplement or amend the Manuals from time to time by letter, electronic mail, bulletin, videotapes, audio tapes, compact disks, software or other communications concerning the System to reflect changes in the image, specifications and standards relating to developing, equipping, furnishing and operating a ZIPS Dry Cleaners Business. Franchisee shall keep its copy of the Manuals current and up-to-date with all additions and deletions provided by or on behalf of ZIPS and shall purchase whatever equipment and related services (including, without limitation, DVD player, computer system, Internet service, dedicated phone line, etc.) as may be necessary to receive these communications. If a dispute relating to the contents of any Manual develops, the master copy of that Manual maintained by ZIPS at its principal offices shall control.

C. Confidentiality of Manuals. The Manuals contain detailed standards, specifications, instructions, requirements, methods and procedures for management and operation of ZIPS Dry Cleaners Businesses. The Manuals also may relate to management and training; marketing, advertising and sales promotions; maintenance and repair of the building, grounds, equipment, graphics, signs, interior and exterior décor items, fixtures and furnishings; employee dress attire and appearance standards; and accounting, bookkeeping, records retention and other business systems, procedures and operations. Franchisee agrees, at all times, to operate the Franchised Business in strict conformity with the Manuals; to maintain the Manuals at the Franchised Business; to not reproduce the Manuals or any part of any Manual; and to treat the Manuals as confidential and proprietary.

11. MODIFICATIONS OF THE SYSTEM

A. Changes by ZIPS. ZIPS, in its sole discretion, shall be entitled from time to time to change or modify the System, including modifications to the Manuals, the required equipment, the signage, the computer systems, the building and premises of the Franchised Business (including the trade dress, décor and color schemes), the presentation of the Marks, the adoption of new administrative forms and methods of reporting and of payment of any monies owed to ZIPS (including electronic means of reporting and payment) and the adoption and use of new or modified Marks or copyrighted materials. Franchisee shall accept and use or display in the Franchised Business any such changes or modifications in the System as if they were a part of the System at the time this Agreement was executed, and Franchisee, at its sole expense, will make such expenditures as the changes or modifications in the System may reasonably require.

B. Changes to Services. Within 30 days after receipt of written notice from ZIPS, Franchisee shall begin selling/offering any newly-authorized service and cease selling any service that is no longer authorized. If Franchisee has a suggestion for a new service, or a modification to an existing service, or Franchisee desires to participate in a test market program, Franchisee

shall provide ZIPS written notice prior to implementation. Franchisee shall not offer at the Franchised Business a new service, modify an existing service or participate in a test market program without obtaining ZIPS' prior written approval. Franchisee shall purchase any additional equipment as ZIPS deems necessary in connection with new services; provided that, Franchisee shall have a reasonable period of time, as determined by ZIPS in its sole discretion, to finance, purchase and install such equipment before the new service must be offered for sale at the Franchised Business.

C. Variations. ZIPS has the right, in its sole discretion, to waive, defer or permit variations from the standards of the System for any franchisee or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. ZIPS shall have the right, in its sole discretion, to deny any such request ZIPS believes would not be in the best interests of the System.

D. New Concepts Developed by Franchisee. If Franchisee develops any new concepts, processes, technology, marketing, or improvements relating to the System, whether or not pursuant to a ZIPS authorized test, Franchisee promptly shall notify ZIPS and provide ZIPS with all information regarding the new concept, process or improvement, all of which shall become the property of ZIPS and its affiliates and which may be incorporated into the System without any payment to Franchisee. Franchisee, at its expense, promptly shall take all actions deemed necessary or desirable by ZIPS to vest in ZIPS ownership of such concepts, processes or improvements.

12. TRAINING

A. Initial Training Program.

(1) The Initial Training Program and any other training program provided by ZIPS shall be exclusively for Franchisee (or, if applicable, the Operating Principal), any Store Manager, any 10% Owner and/or any individual whom Franchisee has identified as a future Store Manager. At least 15 days before Franchisee opens the Franchised Business, Franchisee (or, if Franchisee is a business entity, Franchisee's Operating Principal) must successfully complete and be certified by ZIPS in the initial training program. After Franchisee (or Franchisee's Operating Principal) has successfully completed and been certified in the initial training program, Franchisee (or the Operating Principal) is fully responsible for training of all of the Franchisee's employees in accordance with the System and Franchisee must certify to ZIPS that such persons have successfully completed all required training.

(2) ZIPS will not charge Franchisee a fee for up to 2 people to attend the initial training program offered by ZIPS; however, Franchisee must pay ZIPS' then-current training fee for any additional, subsequent, replacement or substitute personnel who attend that initial training program. Franchisee must pay all travel expenses, living expenses, wages and other incidental expenses incurred by all trainees while attending the initial training program.

(3) ZIPS will not authorize the Franchised Business to open until at least 1 person who will work at the Franchised Business has successfully been trained and certified. Subsequent to the opening of the Franchised Business, the Franchised Business must, at all times, be under the direct, on-site supervision of a trained and certified individual. If the Franchised Business is not under the direct, on-site supervision of a trained and certified

individual at all times, ZIPS may charge Franchisee a penalty fee or place Franchisee in default under this Agreement.

(4) ZIPS reserves the right to dismiss from the initial training program any person whom ZIPS does not believe will perform acceptably as a Store Manager. If any trainee fails to obtain certification, the trainee (or a substitute) may repeat the training; however, ZIPS will have no obligation to extend the Opening Deadline and, if ZIPS provides the training, ZIPS may charge Franchisee a training fee. In the alternative, ZIPS may terminate this Agreement.

B. Ongoing Training. ZIPS may provide and require Franchisee (or, if applicable, the Operating Principal), any Store Manager, any 10% Owner, and any individual whom Franchisee has identified as a future Store Manager to attend ongoing training programs and seminars. ZIPS will not require any trainee to attend more than 4 days of ongoing training per calendar year. ZIPS will not charge a training fee for such ongoing training. Franchisee must pay for any travel expenses, living expenses, wages, and other expenses incurred by trainees while attending the ongoing training.

C. Additional Training. ZIPS shall have the right (which may be exercised at any time and in ZIPS' sole discretion) to require that Franchisee (or, if applicable, the Operating Principal), any Store Manager, any 10% Owner and/or any individual whom Franchisee has identified as a future Store Manager take and successfully complete any additional training courses. ZIPS reserves the right to require Franchisee to pay a training fee as established by ZIPS from time to time for any additional training programs if such additional training relates to the performance of such individual or is part of a system-wide training program. Franchisee must pay for any travel expenses, living expenses, wages, and other expenses incurred by trainees while attending the additional training programs.

D. Training Materials and Methods. All training materials that ZIPS provides to Franchisee remain ZIPS' property. ZIPS shall have the right to provide training programs in person, on tape, via the Internet or company intranet, in printed or electronic format, or by other means, as ZIPS determines.

E. Expenses. Franchisee is responsible for any travel expenses, living expenses, wages, and other expenses incurred by any trainee including Franchisee, the Operating Principal, any Store Manager, any 10% Owner and any other employee while attending ZIPS training programs.

F. In-Store Training by Franchisee. Franchisee shall conduct initial and continuing training programs for Franchisee's employees.

13. ADDITIONAL SERVICES BY ZIPS

In addition to the services described elsewhere in this Agreement, ZIPS shall make the following services available to Franchisee at no additional cost:

A. Pre-Opening Assistance. ZIPS shall provide consultation and advice to Franchisee as ZIPS deems appropriate with regard to construction or renovation and operation of the Franchised Business, building layout, furnishings, fixtures and equipment plans and specifications, employee selection and training, purchasing and inventory controls and those other matters as ZIPS deems appropriate.

B. Pre-Opening of the Franchised Business. As ZIPS, in its sole discretion, deems appropriate in light of Franchisee's needs and the availability of ZIPS' personnel, ZIPS' representative(s) will provide opening assistance to Franchisee.

C. Post-Opening Assistance. ZIPS periodically, as it deems appropriate, shall advise and consult with Franchisee in connection with the operation of the Franchised Business. ZIPS may provide to Franchisee knowledge and expertise regarding the System and pertinent new developments, techniques and improvements in the areas of dry cleaning and laundry services business design, pricing, management, sales promotion, service concepts and other areas. ZIPS may provide these services through visits by ZIPS' representatives to the Franchised Business or Franchisee's offices, the distribution of printed or filmed material or electronic information, meetings or seminars, telephone communications, email communications or other communications. If ZIPS determines, in its sole discretion, that Franchisee requires such assistance too frequently or Franchisee is using such assistance in an unintended manner, ZIPS, in its sole discretion, may elect to cease providing such post-opening assistance to Franchisee or charge Franchisee all reasonable costs and expenses incurred by ZIPS in providing such assistance to Franchisee.

14. INSPECTIONS

To determine whether Franchisee and the Franchised Business are in compliance with this Agreement, the Manuals and with all specifications, quality standards and operating procedures prescribed by ZIPS for the operation of ZIPS Dry Cleaners Businesses, ZIPS or its designees shall have the right at any reasonable time and without prior notice to Franchisee to: **(A)** inspect the Franchised Location; **(B)** observe, photograph and videotape the operations of the Franchised Business for such consecutive or intermittent periods as ZIPS deems necessary; **(C)** test the dry cleaning and laundry process, including the equipment, utilized at the Franchised Business; **(D)** interview personnel of the Franchised Business; **(E)** interview customers of the Franchised Business; and **(F)** inspect and copy any books, records and documents relating to the operation of the Franchised Business or, upon the request of ZIPS or its designee, require Franchisee to send copies thereof to ZIPS or its designee. Franchisee agrees to cooperate fully with ZIPS or its designee in connection with any such inspections, observations, videotaping, product removal and interviews. Franchisee shall take all necessary steps to immediately correct any deficiencies detected during these inspections, including, without limitation, ceasing further use of any equipment, print, e-mail, or online advertising materials or supplies that do not conform with the standards and requirements promulgated by ZIPS from time to time. Franchisee shall present to its customers such evaluation forms as are periodically prescribed by ZIPS and shall participate and/or request that its customers participate in any surveys performed by or on behalf of ZIPS as ZIPS may direct.

15. PERFORMANCE STANDARDS AND UNIFORMITY OF OPERATION

Services performed and products sold under the Marks have a reputation for quality. This reputation has been developed and maintained by ZIPS, and it is of the utmost importance to ZIPS, Franchisee and all other franchisees of ZIPS that this reputation be maintained. In recognition of the mutual benefits that come from maintaining the reputation for quality enjoyed by the System, Franchisee covenants and agrees, with respect to the operation of the Franchised Business, that Franchisee and its employees shall comply with all of the requirements of the System as set forth in the Manuals or otherwise, and Franchisee additionally shall comply with the following:

A. Standards, Specifications and Procedures. Franchisee acknowledges that each and every detail of the appearance, layout, décor, services and operation of the Franchised Business is important to ZIPS and other ZIPS Dry Cleaners Businesses. Franchisee agrees to cooperate with ZIPS by maintaining these high standards in the operation of the Franchised Business. Franchisee further agrees to comply with all System specifications, standards and operating procedures (whether contained in the Manuals or any other written communication to Franchisee) relating to the appearance, function, cleanliness and operation of a ZIPS Dry Cleaners Business, including, but not limited to: **(1)** sales and marketing procedures and customer service; **(2)** advertising and promotional programs; **(3)** layout, décor and color scheme of the Franchised Business; **(4)** appearance and dress of employees; **(5)** safety, maintenance, appearance, cleanliness, sanitation, standards of service, and operation of the Franchised Business; **(6)** submission of requests for approval of brands of products, supplies and suppliers; **(7)** use and illumination of signs, posters, displays, standard formats and similar items; **(8)** identification of Franchisee as the owner of the Franchised Business; and **(9)** types of fixtures, furnishings, equipment, and packaging; and **(10)** the make, type, location and decibel level of any game, entertainment or vending machine. Mandatory specifications, standards and operating procedures, including upgraded or additional equipment, that ZIPS prescribes from time to time in the Manuals, or otherwise communicates to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth in this Agreement. Franchisee acknowledges that ZIPS may from time to time identify in the Manual or otherwise in writing optional services that Franchisee may be permitted to offer at the Franchised Business with ZIPS' written consent (which has not been later revoked).

B. Approved Products, Distributors and Suppliers

(1) Franchisee acknowledges that the reputation and goodwill of ZIPS Dry Cleaners Businesses are based upon, and can only be maintained by, the sale of distinctive, high quality services. ZIPS has developed standards and specifications for advertising materials, furniture, fixtures, equipment, signage, decorations, inventory, forms, packaging, supplies and other items and services offered for sale at, or used in the operation of, ZIPS Dry Cleaners Businesses (collectively, "materials"). Franchisee agrees that the Franchised Business will: **(a)** offer for sale and sell only those services and products approved by ZIPS and not subsequently disapproved; and **(b)** purchase from manufacturers, distributors, vendors and suppliers (collectively "suppliers") approved by ZIPS, which may include ZIPS and/or its affiliates, all materials that meet the standards and specifications promulgated by ZIPS from time to time. ZIPS has the right to require that Franchisee use only certain brands and to prohibit Franchisee from using other brands. ZIPS may from time to time modify the list of approved brands and/or suppliers, and Franchisee shall not, after receipt of such modification in writing, reorder any brand from any supplier that is no longer approved.

(2) ZIPS may approve one or more suppliers for any materials and may approve a supplier only as to certain materials. ZIPS may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of ZIPS Dry Cleaners Businesses or any other group of dry cleaning and laundry services businesses franchised or operated by ZIPS or its affiliates. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by ZIPS. ZIPS may establish distribution facilities owned and operated by ZIPS or an affiliate that ZIPS shall designate as an approved supplier.

(3) If Franchisee proposes to purchase any materials (that Franchisee is not required to purchase from ZIPS, an affiliate of ZIPS or a designated supplier) from a supplier that ZIPS has not previously approved, Franchisee shall submit to ZIPS a written request for such approval or shall request the supplier to do so itself. ZIPS has the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that such information, specifications and samples as ZIPS reasonably designates be delivered to ZIPS and/or to an independent, certified laboratory designated by ZIPS for testing prior to granting, or refusing to grant, approval. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee. ZIPS reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier and to revoke its approval upon the suppliers' failure to continue to meet any of the foregoing criteria.

(4) ZIPS may, from time to time, conduct market research and testing to determine consumer trends, the salability of new services and products, any changes to specifications for the System for, among other things, equipment to be used in ZIPS Dry Cleaners Businesses. This research and testing will be conducted at the franchised, affiliate-owned or company-owned Dry Cleaners Businesses as designated by ZIPS. Franchisee agrees to cooperate in these efforts by participating in ZIPS' customer surveys and market research programs, as required by ZIPS. All customer surveys and market research programs will be at ZIPS' sole cost and expense, unless such survey or program has been approved by Franchisee and Franchisee has approved its proportionate cost. Franchisee shall not test anything without first being requested to by ZIPS and signing a test letter agreement in a form satisfactory to ZIPS.

(5) ZIPS and its affiliates disclaim all express or implied warranties concerning any approved materials or services, including, without limitation, any warranties as to merchantability, fitness for a particular purpose, availability, quality, pricing or profitability. Franchisee acknowledges that ZIPS and its affiliates may, under appropriate circumstances, receive fees, commissions, field-of-use license royalties, or other consideration from approved suppliers based on sales to franchisees, and that ZIPS may charge non-approved suppliers reasonable testing or inspection fees.

C. Technology.

(1) Computer System. Franchisee agrees to obtain and install such data processing equipment, computer hardware and software, point of sale systems, required dedicated telephone, DSL and power lines, high speed Internet connections, routers, printers, firmware, and other computer-related accessory or peripheral equipment as ZIPS specifies in the Manuals or otherwise ("Computer System"). All of the foregoing must be able to provide ZIPS that information, in that format/medium, as ZIPS reasonably may specify from time to time. Franchisee must establish and maintain a high-speed static internet connection communication link. Franchisee shall provide all assistance required by ZIPS to bring Franchisee's Computer System and point of sale system on-line with the computer system designated by ZIPS and maintained by ZIPS or its affiliates. Franchisee agrees that ZIPS shall have the free and unfettered right to retrieve any data and information from Franchisee's Computer System and/or point of sales system as ZIPS, in its sole discretion, deems appropriate, including electronically polling the daily sales, customer data and other data of the Franchised Business. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee agrees to strictly comply with ZIPS' standards and specifications for all items associated with the computer system, as set forth in the Manuals. All of the hardware and software specified to be installed or purchased, or activities Franchisee is to accomplish, and the delivery cost of all hardware and software, shall be at Franchisee's expense.

(2) Software System. Franchisee shall: **(a)** use the proprietary software program (including ZIPSsoft software), system documentation manuals and other proprietary materials now and hereafter required by ZIPS in connection with the operation of the Franchised Business; **(b)** execute ZIPS' or its affiliates' software license or similar Agreement; **(c)** input and maintain in Franchisee's Computer System such data and information as ZIPS prescribes in the Manuals, software programs, documentation or otherwise; and **(d)** purchase new or upgraded software programs, system documentation manuals and other proprietary materials at then-current prices whenever adopted system-wide by ZIPS.

(3) Life of Computer System. Franchisee acknowledges that computer systems are designed to accommodate a finite amount of data and terminals, and that, as these limits are reached, or as technology or software is developed in the future, ZIPS may, in its sole discretion, mandate that Franchisee: **(a)** add memory, ports and other accessories or peripheral equipment or additional, new or substitute software to the original Computer System purchased by Franchisee; and **(b)** replace or upgrade the entire Computer System with a larger system capable of assuming and discharging the computer-related tasks and functions specified by ZIPS. Franchisee also acknowledges that computer designs and functions change periodically and that ZIPS may desire to make substantial modifications to its computer specifications or to require installation of entirely different Computer Systems during the Initial Term or upon renewal of this Agreement.

(4) Upkeep of Computer System. To ensure full operational efficiency and communication capability between ZIPS' computers and those of all ZIPS Dry Cleaners Businesses, Franchisee agrees, at its expense, to keep its Computer System in good maintenance and repair and to make additions, changes, modifications, substitutions and replacements to its computer hardware, software, telephone and power lines and other computer-related facilities as directed by ZIPS, and on the dates and within the times specified by ZIPS in its sole discretion. Upon termination or expiration of this Agreement, all computer software, disks, tapes and other magnetic storage media shall be returned to ZIPS in good operating condition, excepting normal wear and tear. Because changes in technology are dynamic and not predictable, Franchisee agrees: (a) that ZIPS will have the right to establish, in writing reasonable new standards to address new technologies, and to implement those changes; and (b) to abide by ZIPS' reasonable new standards as if those changes are part of the System at the time this Agreement is signed.

(5) Computer System Specifications. ZIPS has the right to specify or require that certain brands, types, makes, and/or models of communications, Computer Systems, and hardware to be used by, between, or among Franchised Businesses, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Franchised Businesses, between or among Franchised Businesses, and between and among Franchisee's Franchised Businesses and ZIPS, ZIPS's designee and/or Franchisee; (b) Cash Register Systems (defined below); (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode (e.g., form of telecommunications connection) and speed. ZIPS requires Franchisee to have support and maintenance contracts for the Computer System at all times. Franchisee will comply with ZIPS' requirements with respect to the Computer System. In this regard:

(a) ZIPS has the right, but not the obligation, to develop or have developed for ZIPS, or to designate, any or all of the following:

(i) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee must install;

(ii) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install;

(iii) the tangible media upon which such Franchisee must record or receive data;

(iv) the database file structure of Franchisee's Computer System;

(v) an Extranet for informational assistance, which may include, without limitation, the Manuals, training other assistance materials, and management reporting solutions; and

(vi) answering service requirements and/or system-wide phone order processing of all delivery orders, and/or to designate vendors that will provide such order processing.

(b) Franchisee must implement and periodically upgrade and make other changes to the Computer System and Required Software as ZIPS may reasonably request in writing (collectively, "Computer Upgrades").

(c) Franchisee must comply with ZIPS' written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee's own expense.

(6) Data. Franchisee agrees that ZIPS shall have the free and unfettered right to retrieve any data and information from Franchisee's Computer System and/or point of sale system as ZIPS, in its sole discretion, deems appropriate, including but not limited to electronically, or otherwise, retrieving daily sales information, customer data and/or other data of the Franchised Business. ZIPS has the right, without prior notice to Franchisee, to retrieve such data and information from Franchisee's Computer System and point of sale system as ZIPS deems necessary or desirable and Franchise agrees to fully cooperate with such efforts, including allowing unimpeded, immediate access to Franchisee's Computer System in the manner, form, and at the times that ZIPS requests. All data pertaining to the Franchised Business, all data created or collected in connection with the System or in connection with the operation of the Franchised Business, and all data that is otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from the Computer System) is and will be owned exclusively by ZIPS and ZIPS has the right to use such data in any manner ZIPS deems appropriate without compensation to the Franchisee. Franchisee shall not access any systems, software, databases, or other proprietary infrastructure of ZIPS without prior, written authorization by ZIPS.

(7) Customer Data. Franchisee agrees that all data and information that Franchisee collects from customers and potential customers in connection with the Franchisee's Franchised Business and all data derived from such collected data and information, including with without limitation customer statistics, behavioral information, and transactional history ("Customer Data") is deemed to be owned exclusively by ZIPS, and Franchisee agrees to provide such Customer Data to ZIPS upon request. Franchisee has the right to use Customer Data while this

Agreement or a Successor Franchise Agreement is in effect, but only in connection with operating the Franchisee's Franchised Business and only in accordance with the policies that ZIPS establishes from time to time. Franchisee may not use Customer Data for any purpose other than operating the Franchisee's Franchised Business and marketing "ZIPS Dry Cleaners" products and services. Franchisee may not sell, loan, or otherwise transfer Customer Data to any individual or entity other than ZIPS. However, if Franchisee transfers the Franchised Business (as provided in Section 13 below), as part of the Transfer, Franchisee must also Transfer use of the Customer Data to the buyer as part of the total purchase price paid for the Franchised Business.

(8) Ownership of Data. All data pertaining to, derived from, or displayed at the Franchised Business (including, without limitation, Customer Data) is and shall be the exclusive property of ZIPS, and ZIPS hereby grants Franchisee a royalty-free, non-exclusive, non-transferable license to use Customer Data during the Term of this Agreement for the sole purpose of operating Franchisee's Franchised Business. ZIPS has the right to periodically specify in writing, in the Manual or otherwise, the information that Franchisee must collect and maintain on the Computer System and Franchisee will provide ZIPS with the reports that ZIPS may reasonably request from the data so collected and maintained. Franchisee agrees to: (a) transfer to ZIPS daily (or at such other intervals that ZIPS may reasonably require) all information and materials that ZIPS may require in connection with Franchisee's operation of the Franchised Business; (b) display such information and materials in the manner ZIPS may prescribe, including, without limitation, to employees of the Franchised Business.

(9) Privacy Laws. Franchisee will abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("Privacy Laws").

(a) Franchisee will comply with ZIPS's standards and policies pertaining to Privacy Laws. If there is a conflict between ZIPS's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give ZIPS written notice of said conflict; and (iii) promptly and fully cooperate with ZIPS and ZIPS's counsel in determining the most effective way, if possible, to meet ZIPS's standards and policies pertaining to Privacy Laws within the bounds of applicable law.

(b) Franchisee will not to publish, disseminate, implement, revise, or rescind a data privacy policy without ZIPS's prior written consent as to said policy.

(10) Cash Register Systems. Franchisee will record all sales on computer-based point of sale systems on such other types of cash registers that ZIPS has the right to designate or approve in the Manual or otherwise in writing ("Cash Register Systems"). The Cash Register System is deemed to be part of Franchisee's Computer System. Franchisee must utilize computer-based point-of-sale cash registers that are fully compatible with any program or system that ZIPS has the right to designate and Franchisee must record all Royalty Net Sales and all revenue information on such equipment.

(11) Identification of the Franchised Business. Franchisee must use, and only use, the email address and other identifiers that ZIPS designates in writing in connection with the Franchised Business.

(12) Changes to Technology. Because changes to technology are dynamic and not predictable within the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that

ZIPS will have the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manuals or otherwise in writing, and that ZIPS has the right to implement those changes in technology into the System; and (b) to abide by ZIPS's reasonable new standards as if this Section 15C were periodically revised for that purpose.

(13) E-Mail and Fax Communication. Franchisee agrees that exchanging information with us by e-mail and fax is an important way to enable quick, effective, and efficient communication, and that ZIPS is entitled to rely upon each other's use of e-mail and faxes for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail and fax to exchange information, Franchisee authorizes the transmission of e-mail by ZIPS and ZIPS's employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "Official Senders") to Franchisee and Franchisee's employees during the term of this Agreement.

(a) Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic means, subject to the limitations provided in Section 9G(2) without ZIPS's prior written consent as to: (i) the content of such e-mail advertisements or solicitations; and (ii) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee agrees that Franchisee will be solely responsible for complying with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003").

(b) Franchisee agrees that: (i) Official Senders are authorized to send e-mails and faxes to Franchisee and Franchisee's employees; (ii) Franchisee will cause Franchisee's officers, directors, and employees (as a condition of their employment or position with Franchisee) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as ZIPS may reasonably require) to Official Senders' transmission of e-mails and faxes to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the time that such person works for or is affiliated with Franchisee; and (iii) Franchisee will not opt-out, or otherwise ask to no longer receive e-mails and/or faxes, from Official Senders during the term of this Agreement.

(c) The consent given above in this Section 15C(12) will not apply to the provision of notices under this Agreement by either party using e-mail unless and until the parties have otherwise agreed, in a pen-and-paper writing that both parties have signed.

(14) Data Security. Franchisee shall use its best efforts to protect customers and the ZIPS Computer System against cyber-events including, without limitation, a data breach or other identity theft or theft of personal information, computer viruses, malware, or ransomware (collectively, a "Cyber Event"). If a Cyber Event occurs, regardless of whether such event affects only the Franchisee, ZIPS reserves the right to perform and/or control all aspects of the response to such event including, without limitation, the investigation, containment and resolution of the event and all communications with the franchise system, vendors and suppliers, law enforcement agencies, regulatory authorities, and the general public. Our control of the response may potentially affect or interrupt operations of the Franchisee but does not create any additional rights for Franchisee, entitle Franchisee to damages or relieve Franchisee of their indemnification obligations pursuant to Section 27A. Franchisee shall pay ZIPS an amount equal to ZIPS's out of pocket costs and expenses incurred in responding to and remedying any Cyber Event due to any Cyber Event caused solely by Franchisee, Franchisee's agents or Franchisee's employees. Notwithstanding ZIPS's right to perform and/or control all aspects of the response to a Cyber

Event, ZIPS agrees to make commercially reasonable efforts to coordinate such response with Franchisee and Franchisee's insurance carrier(s) and to cooperate with Franchisee's insurance carrier(s) regarding insurance coverage of such Cyber Event to the extent reasonably practicable under the circumstances. Franchisee shall at all times be compliant with: (a) the Payment Card Industry Data Security Standards ("PCI DSS"), (b) the NACHA ACH Security Framework, (c) Payment Rules (as defined below), (d) state and federal laws and regulations relating to data privacy, data security and security breaches and (e) our security policies and guidelines, all as may be amended from time to time (collectively, "Data Security Safeguards"). ZIPS may designate certain third-party consultant(s) to administer our data security program and evaluate Franchisee's compliance with the aforementioned standards. Franchisee is required to meet the reasonable requirements of the designated consultant(s) and maintain those certifications of compliance that ZIPS deem appropriate in its reasonable discretion. For purposes of this Agreement: "Payment Rules" means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time; "Payment Processors" means all credit card, debit card and/or ACH processors whose services ZIPS may require Franchisee to utilize, as well as payment gateway service providers; and "Payment Network" means Visa, MasterCard, and any credit or debit card network issuing credit or debit cards or their duly authorized entities, agents, or affiliates, together with NACHA. Franchisee is expected to obtain advice from appropriate legal and security consultants to ensure that Franchisee operates its Franchised Business at all times in full compliance with the Data Security Safeguards.

D. Upkeep of the Franchised Business. Franchisee shall constantly maintain and operate the Franchised Business (including all furniture, fixtures, equipment, furnishings, floor coverings, interior and exterior signage, the building interior and exterior, interior and exterior lighting, landscaping and parking lot surfaces) in first-class condition. Franchisee shall perform any repairs, maintenance, and replacements to the Franchised Business as ZIPS may prescribe from time to time, including all ongoing necessary remodeling, redecorating, refurbishing and repairs. The maintenance required by this Section shall include periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor. Capital expenses necessary for the upkeep of the Franchised Location are not subject to the time limitations described in Section 15.E. Franchisee shall not make any material alterations to the Franchised Business that affect operations or the image of the System without ZIPS' prior written approval.

E. Remodeling/Modernization. Upon Franchisee's receipt of written notice from ZIPS, Franchisee shall undertake all structural changes, major remodeling and renovations, and substantial modifications to modernize and conform the Franchised Business to the image of the System for new franchised and company-owned ZIPS Dry Cleaners Businesses. Franchisee shall not be required to undertake such improvements more often than once every 10 years. Within 60 days after receipt of ZIPS' written notice regarding the required modernization, Franchisee shall prepare and complete drawings and plans for the required modernization. These drawings and plans must be submitted to, and their use approved by, ZIPS prior to the commencement of work. All changes made pursuant to this Section shall also comply with Section 5 of this Franchise Agreement. Franchisee shall complete the required modernization within the time reasonably specified by ZIPS in its written notice. Franchisee acknowledges and agrees that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of ZIPS Dry Cleaners Businesses, to assist the Franchised Business to compete effectively in the marketplace and to avoid deterioration or obsolescence of the operation of the Franchised Business.

F. Operation of the Franchised Business. Franchisee shall use the Franchised Location solely for the operation of the Franchised Business and shall maintain sufficient inventories of materials, adequately staff each shift with qualified employees and continuously operate the Franchised Business at its maximum capacity and efficiency for the minimum number of days and hours set forth in the Manuals or as ZIPS otherwise prescribes in writing (subject to the requirements of local laws and licensing requirements). Franchisee shall continuously operate the Franchised Business during the Initial Term (except for interruption by reason of events constituting Force Majeure as defined in Section 30).

G. Customer Complaints. Franchisee shall immediately resolve any customer complaints regarding the quality of services offered for sale at the Franchised Business, cleanliness of the Franchised Business and any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee shall use its best efforts to resolve the customer complaints as soon as practical and shall, whenever feasible, give the customer the benefit of the doubt. If ZIPS, in its sole discretion, determines that its intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if ZIPS, in its sole discretion, believes that Franchisee has failed adequately to address or resolve any customer complaints, ZIPS may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover ZIPS' reasonable costs and expenses in resolving the customer complaints, which amount Franchisee shall pay to ZIPS immediately on demand. If, at any time during the Initial Term ZIPS determines that it is necessary to provide any services directly to Franchisee's customers, ZIPS may provide those services and Franchisee must reimburse ZIPS for all costs and expenses incurred by ZIPS.

H. Franchised Business Management and Personnel

(1) To ensure that the Franchised Business' operations comply with the operating standards as promulgated by ZIPS from time to time in the Manuals or otherwise in written or oral communications, the Franchised Business shall at all times be under the on-site supervision of Franchisee, the Operating Principal, a Store Manager, or a 10% Owner who has successfully completed ZIPS' initial training program. The Franchised Business shall, at all times, employ at least 1 Store Manager (who may also be the Franchise, Operating Principal, or 10% Owner) who has successfully completed ZIPS' initial training program, to ZIPS' satisfaction. If at any time, the Franchised Business fails to employ at least 1 Store Manager who has successfully completed ZIPS' initial training program, within 10 days, Franchisee must hire a replacement Store Manager and enroll that person in the initial training program. ZIPS shall have the right to require Franchisee to have one or more district managers (who shall be individuals reasonably acceptable to ZIPS) to supervise the day to day operations of Franchisee's stores, if Franchisee (and/or an affiliate of Franchisee) operates two or more stores. Any such district managers shall be required to attend and successfully complete the training course specified in Section 12 above.

(2) Franchisee shall hire all employees of the Franchised Business and be exclusively responsible for the terms of their employment and compensation, including but not limited to the hiring, firing, setting hours for, and supervising of all employees and for the proper training of such employees with respect to the operation of the Franchised Business, human resources and customer relations. Franchisee shall be exclusively responsible for the appearance, behavior and dress attire of all employees.

(3) Franchisee shall, as of the date that Franchisee executes this Agreement and at all times during the Initial Term, identify in Appendix A any other businesses that Franchisee and/or Operating Principal own an interest in, actively manage, operate, or otherwise

are involved with and provide a description of the ownership interest or management role with that business.

(4) No employee of the Franchisee will be deemed to be an employee of ZIPS for any purpose whatsoever, and nothing in any aspect of the System or the Trademarks in any way shifts the employee or employment-related responsibility from the Franchisee to ZIPS.

I. Signs and Logos. Subject to local ordinances, Franchisee shall prominently display in and upon the land and buildings of the Franchised Business interior and exterior signs and logos using the name "ZIPS® Dry Cleaners," without any prefix or suffix, and those other names, marks, advertising signs and logos, of such nature, form, color, number, location and size, and containing that material as ZIPS may from time to time direct. Franchisee must submit all sign, logo, and advertising media to ZIPS for approval. Franchisee shall not display in or upon the Franchised Location any sign, logo or advertising media of any kind to which ZIPS objects.

J. Non-Authorized Equipment. Franchisee shall not install at the Franchised Business any non-authorized equipment.

K. Compliance with Laws and Good Business Practices.

(1) Franchisee shall secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the Franchised Business. Franchisee shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations including, without limitation, all laws or regulations governing or relating to immigration and discrimination, occupational hazards and health insurance, employment laws, including, without limitation, workers' compensation insurance, unemployment insurance, and the withholding and payment of federal and state income taxes, social security taxes and sales taxes. Franchisee shall timely pay all obligations relating to the Franchised Business. All advertising and promotion by Franchisee shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee shall, in all dealings with Franchisee's customers, suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the goodwill associated with the Marks or the business of ZIPS, its affiliates, the System or other dry cleaning and laundry services businesses operated or franchised by ZIPS or its affiliates.

(2) Franchisee shall notify ZIPS in writing within 5 days after the commencement of: **(a)** any action, suit or proceeding, or the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or the Franchised Business; or **(b)** of any notice of violation of any law, ordinance or regulation relating to health or sanitation at the Franchised Business.

L. Non-Cash Payment Systems. Franchisee shall participate in any program established by ZIPS relating to the sale or acceptance of stored value gift cards. Franchisee shall accept debit cards, credit cards, stored value gift cards or other non-cash payment systems specified by ZIPS to enable customers to purchase authorized products and services and shall obtain all necessary hardware and/or software used in connection with these non-cash payment systems. Franchisee shall reimburse ZIPS for all costs associated with such non-cash payment systems as they pertain to the Franchised Business.

M. Customer Satisfaction and Retention Programs. In order to (among other things) maintain and enhance the goodwill associated with the Marks, the System and each ZIPS Dry Cleaners Business, Franchisee agrees to participate in programs initiated to verify customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) an 800 number, secret shopper, loyalty and/or rewards programs or other customer satisfaction and retention programs as ZIPS may require. ZIPS will share the results of these programs, as they pertain to the Franchised Business, with Franchisee. Franchisee will reimburse ZIPS for all costs related to the Franchised Business associated with any and all of these programs.

N. Pricing. ZIPS may establish periodically the price that Franchisee must charge for one or more products or services offered for sale at the Franchised Business. For any ZIPS Dry Cleaners Business or group of ZIPS Dry Cleaners Businesses, ZIPS may modify the established price required by this Section if, in ZIPS' sole judgment, there are demonstrated circumstances justifying such modification.

O. Compliance with System Standards. Franchisee acknowledges and agrees that its operation and maintenance of the Franchised Business in accordance with System standards are essential to preserve the goodwill of the Marks and all ZIPS Dry Cleaners Businesses. Therefore, at all times during the Term, Franchisee agrees to operate and maintain the Franchised Business in accordance with each and every System standard, as ZIPS periodically modifies and supplements them during the Term. System standards may be defined in this Franchise Agreement or the Manuals.

Franchisee acknowledges the importance of operating the Franchised Business in accordance with the System, including the Manuals, that any deviation from the requirements of the System will damage the System and ZIPS' goodwill, and that these damages would be very difficult to quantify. Accordingly, Franchisee agrees that if Franchisee continues to deviate from any of the Manuals or System standards after having been given notice by ZIPS of any of those (in each case in reasonable details as to identify the nature of the deviation and the required action and time during which to effect cure), or other deviations, Franchisee will pay ZIPS the following amounts as liquidated damages:

First violation during a consecutive 12-month period:	$500
Second violation during a consecutive 12-month period:	$750
Each additional violation during a consecutive 12-month period:	$1,000

These damages will be paid to ZIPS within five (5) days of ZIPS giving Franchisee notice that Franchisee has failed to cure the violation within the time allotted and the amount due. ZIPS does not have to exercise this right to impose liquidated damages and may seek any other remedies available to us, including termination of this Agreement (following written notice as more fully described in Section 23 hereunder), even if ZIPS has imposed liquidated damages previously for other violations.

16. MARKS

A. The term "Marks" as used in this Agreement refers to all words, symbols, insignia, devices, designs, trade names, service marks or combinations thereof designated by ZIPS and/or its affiliates as identifying the System and the services provided or products sold in connection with the System. ZIPS shall, from time to time, advise Franchisee as to any additions or deletions

to the Marks and Franchisee's right to use the Marks shall be deemed modified by those additions or deletions.

B. Franchisee's right to use the Marks is limited to its use of the Marks in the operation of the Franchised Business at the Franchised Location and as expressly provided in this Agreement and the Manuals. Franchisee shall not use the Marks on any vehicles without ZIPS' prior written approval. Franchisee shall not use the Marks or any variations of the Marks or marks or names confusingly similar to the Marks in any manner not authorized by ZIPS (including any online or electronic use) or in any business entity name and shall not use any other trade names, service marks or trademarks in conjunction with the Franchised Business. If local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise make a filing indicating that the Marks are being used as a fictitious or assumed name, Franchisee shall include in such filing or application an indication that the filing is made "as a franchisee of ZIPS Franchising, LLC." Franchisee shall use the symbol ® with all registered marks and the symbol ™ with all pending registrations or other marks.

C. Franchisee shall not use the Marks in any Internet domain name, e-mail address or in the operation of any Internet web site without ZIPS' prior written consent.

D. If ZIPS should elect to use a principal name other than "ZIPS Dry Cleaners" to identify the System, ZIPS may select another name and notify Franchisee to change all or some items bearing the Marks to the new name within a reasonable period of time as determined by ZIPS and Franchisee promptly shall adopt that name, at Franchisee's sole expense. Franchisee agrees that nothing in this Agreement gives it any right, title or interest in the Marks (except the right to use the Marks in accordance with the terms of this Agreement), that the Marks are the sole property of ZIPS and its affiliates, that Franchisee shall not directly or indirectly contest the validity or ownership of the Marks or ZIPS' right to license the Marks, and that any and all uses by Franchisee of the Marks and the goodwill arising therefrom shall inure exclusively to the benefit of ZIPS and its affiliates. Franchisee will not seek to register, reregister, assert claim to ownership of, license or allow others to use, or otherwise appropriate to itself any of the Marks or any mark or name confusingly similar thereto, or the goodwill symbolized by any of the foregoing except to the extent this action inures to the benefit of, and has the prior written approval of, ZIPS. Any unauthorized use of the Marks by Franchisee or attempt by Franchisee, directly or indirectly, to register the Marks in any jurisdiction shall constitute a breach of this Agreement and an infringement of ZIPS' rights in and to the Marks.

E. Franchisee promptly shall inform ZIPS in writing as to any infringement of the Marks of which it has knowledge. Franchisee shall not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement without first obtaining ZIPS' written approval. ZIPS shall have the right, but not the obligation, to bring such action or take such steps as it may deem advisable to prevent any such infringement and to join Franchisee as a party to any action in which ZIPS is or may be a party and as to which Franchisee is or would be a necessary or proper party. Franchisee also shall promptly notify ZIPS of any litigation (including administrative or arbitration proceedings) of which Franchisee is aware instituted against ZIPS, its affiliates or Franchisee relating to the Marks. Franchisee shall execute any and all instruments and documents, render such other assistance and do any acts and things as may, in the opinion of ZIPS' counsel, be necessary or advisable to protect and maintain ZIPS' interests in the Marks, including, without limitation, ZIPS' interests in litigation or proceedings before the U.S. Patent and Trademark Office or other tribunal relating to the Marks.

17. INSURANCE

A. Procurement of Insurance. Franchisee shall be responsible for all loss or damage arising from or related to Franchisee's development and operation of the Franchised Business, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the premises of, or in connection with the development and/or operation of, the Franchised Business. Franchisee shall obtain the insurance required by this Section by no later than the date that Franchisee takes possession of the Franchised Location. Franchisee shall maintain, in full force and effect throughout the Initial Term, that insurance which Franchisee determines is necessary or appropriate for liabilities caused by or occurring in connection with the development and operation of the Franchised Business, which shall include, at a minimum, the insurance policies of the kinds, and in the amounts, required by Section 17B.

B. Required Insurance Coverage. At a minimum, Franchisee shall maintain the following insurance coverage for the Franchised Business:

(1) Commercial general liability insurance including coverage for products liability, completed operations, premises operations, personal injury, and broad form property damage liability coverages, on an occurrence basis, with a minimum per occurrence combined single limit of $1,000,000 and a minimum aggregate combined single limit of $2,000,000. The Franchisee's coverage will be Primary and Non-Contributory. Value Drycleaners of America, LLC, its subsidiaries, affiliates, managers, members, owners, directors, employees and agents shall be Additional Insured.

(2) Property Insurance written on an "All Risks" or "Special" policy for all risks (including floods and earthquakes where applicable) of physical loss or damage to the Franchised Business, equipment, business personal property, EDP property, inventory and other tangible property. Such insurance shall have a minimum limit adequate to cover risks on a replacement cost basis.

(3) Business Income and Extra Expense coverage to include rental payment continuation for a minimum of 12 months, loss of profits and other extra expenses, including payment of royalty fees and marketing fund contributions, experienced during the period of restoration. Such coverage shall include an extended period of no less than 180 days.

(4) Plate glass coverage for replacement of glass from breakage where required by the lease agreement.

(5) Workers' Compensation and Employer's Liability coverage with a minimum limit of $500,000 or higher if required by state law. This coverage shall include a waiver of subrogation with respects to Value Drycleaners of America, LLC, its subsidiaries, and affiliates.

(6) Bailee's Liability insurance with a minimum limit adequate to cover the estimated replacement cost of customer garments.

(7) Builder's Risk insurance shall be required in connection with any new construction or substantial renovation, refurbishment or remodeling of the Franchised Location. In addition to the Builder's Risk coverage, Franchisee, or their contractor, will acquire Commercial General Liability including completed operations with a limit of $1,000,000 per occurrence and $2,000,000 in the aggregate; workers compensation with an employer's liability limit of $1,000,000

including a waiver of subrogation in favor of ZIPS and the Franchisee; commercial auto coverage with a single limit per occurrence of $1,000,000; and an umbrella limit of $2,000,000..

(8) Comprehensive Automobile Liability insurance covering use of all owned, non-owned or hired vehicles, with a combined single limit of not less than $1,000,000 or, if higher, that amount as may be required by statute or rule of the state or locality in which the Franchised Business is located. Value Drycleaners of America, LLC, its subsidiaries, affiliates, managers, members, owners, directors, employees and agents shall be Additional Insured.

(9) Pollution and Environmental liability insurance in the minimum amount of $1,000,000 per loss.

(10) Equipment Breakdown Coverage with a minimum limit adequate to cover all property and system risks on a replacement cost basis.

(11) Cyber Coverage (including Privacy Liability, Network Security (aka Network Interruption) and Notification Expense Coverage in the minimum amount of $1,000,000 per loss.

(12) Excess or Umbrella insurance in the minimum amount of $2,000,000 for the Franchised Business in excess of the insurance described in 1, 5 and 8 above.

(13) ZIPS may reasonably increase the minimum coverage required and/or require different or additional kinds of insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. ZIPS will provide to Franchisee written notice of such modifications and, upon receipt, Franchisee shall take prompt action to secure the additional coverage or higher policy limits.

C. General Policy Requirements. The following general policy requirements shall apply to each insurance policy that Franchisee is required to maintain under this Agreement:

(1) All insurance policies shall be written by an insurance company or companies satisfactory to ZIPS, in compliance with the standards, specifications, coverages and limits provided to Franchisee in writing.

(2) Each insurance policy shall be specifically endorsed to provide that the coverages shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory.

(3) Carrier shall be admitted to do business in the state in which the Franchised Business is located.

(4) Each insurance policy shall extend to, and provide indemnity for, all obligations and liabilities of Franchisee to third parties and all other items for which Franchisee is required to indemnify ZIPS under this Agreement.

(5) Each insurance policy shall be written by an insurance company that has received and maintains an “A VII” or better rating by the latest edition of Best’s Insurance Rating Service or other rating reasonably approved by ZIPS.

(6) No insurance policy shall provide for a deductible amount that exceeds $5,000, unless otherwise approved in writing by ZIPS, and Franchisee's co-insurance under any insurance policy shall be 80% or greater.

(7) ZIPS, and any entity with an insurable interest designated by ZIPS, shall be an additional insured in such policies to the extent each has an insurable interest.

D. Proof of Insurance. By the date that Franchisee takes possession of the Franchised Location, and on each policy renewal date thereafter, Franchisee shall submit to ZIPS evidence of satisfactory insurance and proof of payment therefor. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least 30 days' prior written notice to ZIPS. Upon ZIPS' request, Franchisee shall provide to ZIPS copies of all policies, amendments and riders.

E. No Representations. Franchisee acknowledges that no requirement for insurance contained in this Agreement constitutes advice or a representation by ZIPS that only such policies, in such amounts, are necessary to protect Franchisee from losses in connection with its business under this Agreement. Maintenance of this insurance, and the performance by Franchisee of its obligations under this Section, shall not relieve Franchisee of liability under the indemnification provisions of this Agreement.

F. ZIPS' Right to Procure Insurance. If Franchisee, for any reason, fails to obtain or maintain at least the insurance required by this Section 17, as revised from time to time in writing, ZIPS shall have the immediate right, but not the obligation, to procure such insurance and charge its cost to Franchisee. Upon Franchisee's receipt of written notice from ZIPS, Franchisee shall pay to ZIPS all out-of-pocket costs incurred by ZIPS in connection with obtaining such insurance on behalf of Franchisee.

18. ORGANIZATION AND MANAGEMENT OF FRANCHISEE

A. Representations.

(1) If Franchisee is a business entity, Franchisee makes the following representations and warranties: **(a)** it is duly organized and validly existing under the laws of the state of its formation; **(b)** it is qualified to do business in the state in which the Franchised Business will be located; **(c)** execution of this Agreement and the development and operation of Franchised Business is permitted by the governing documents; and **(d)** Franchisee's governing documents shall, at all times, provide that the activities of Franchisee are limited exclusively to the acquisition, development and operation of dry cleaning and laundry services businesses franchised by ZIPS or its affiliates. Franchisee shall not use the name "ZIPS®" or any Marks in Franchisee's entity name.

(2) If Franchisee is an individual, or a partnership comprised solely of individuals, Franchisee makes the following representations and warranties: **(a)** each individual has executed this Agreement; **(b)** each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and **(c)** notwithstanding any transfer for convenience of ownership pursuant to Section 20D, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement.

B. Governing Documents. If Franchisee is a business entity, Franchisee shall submit to ZIPS copies of all governing documents and shall make any changes to the governing documents as requested by ZIPS. (By way of example, if Franchisee is a corporation, Franchisee shall submit copies of its Articles of Incorporation, bylaws, other governing documents and any amendments, including the resolution of the Board of Directors authorizing entry into and performance of this Agreement, and all shareholder agreements, including buy/sell agreements.) When any of these governing documents are modified or changed, Franchisee promptly shall provide copies to ZIPS.

C. Ownership Interests. If Franchisee is a business entity, all interests in Franchisee are owned as set forth in attached Appendix C. During the Initial Term, Franchisee shall maintain a current list of all legal or beneficial owners (including the interest held by each owner) and, prior to any change in ownership interests, Franchisee shall execute addenda to Appendix C to ensure the information contained in Appendix C is true, accurate and complete at all times. If any interest in Franchisee is owned by another business entity, Franchisee shall provide to ZIPS the information and documentation for that entity as required by this Section 18.

D. Restrictive Legend. If Franchisee is a business entity, Franchisee shall maintain stop-transfer instructions on its ownership records. Each ownership interest shall be endorsed as follows: "Any assignment or transfer of this interest is subject to the restrictions imposed on assignment by the agreements with ZIPS Franchising, LLC."

E. Continuity Group. If Franchisee is a business entity, Appendix C lists those persons whom ZIPS and Franchisee have designated as Franchisee's "Continuity Group." The Continuity Group shall at all times own at least 51% of the interests in Franchisee. In the event of any change in the Continuity Group or in the ownership interests of any member of the Continuity Group, Franchisee shall execute addenda to Appendix C to reflect the change.

F. Guarantees.

(1) All members of the Continuity Group and all of Franchisee's officers, directors and 10% Owners (and their respective spouses) shall jointly and severally guarantee Franchisee's payment and performance under this Agreement and shall bind themselves to the terms of this Agreement pursuant to the attached Guarantee and Assumption of Franchisee's Obligations ("Guarantee"). ZIPS may require any guarantor to provide personal financial statements to ZIPS from time to time.

(2) With respect to the 10% Owners, Franchisee acknowledges that it is ZIPS' intent to have individuals (and not business entities) execute the Guarantee. If any 10% Owner is not an individual, ZIPS may require the individuals with only an indirect ownership interest in Franchisee to sign the Guarantee. (By way of example, if a 10% Owner of Franchisee is a corporation, ZIPS may require that the Guarantee be executed by individuals who have an ownership interest in that corporation.)

(3) If Franchisee, any guarantor or any parent, subsidiary or affiliate of Franchisee holds any interest in other dry cleaning and laundry services business that is franchised by ZIPS or its affiliates, the party who owns that interest shall execute, concurrently with this Agreement, a form of cross-guarantee to ZIPS and its affiliates for the payment of all obligations for such businesses. For purposes of this Agreement, an affiliate of Franchisee is any company controlled, directly or indirectly, by Franchisee or Franchisee's parent or subsidiary.

G. Operating Principal. If Franchisee is owned by more than one individual, Franchisee shall designate and retain an individual to serve as the Operating Principal. The Operating Principal as of the date of this Agreement is identified in Appendix C. The Operating Principal shall meet all of the following qualifications:

(1) The Operating Principal, at all times, shall have at least a 10% equity ownership interest in Franchisee.

(2) The Operating Principal, at all times, shall be a member of the Continuity Group and, at a minimum, have full control over the day-to-day activities, including control over the standards of operations and financial performance, of the Franchised Business and those other dry cleaning and laundry services businesses (that are franchised by ZIPS or its affiliates) operated by Franchisee in the same geographic area as the Franchised Business.

(3) The Operating Principal shall devote full-time and best efforts to supervising the operation of the Franchised Business and other dry cleaning and laundry services businesses operated by Franchisee in the same geographic area that are franchised by ZIPS or its affiliates and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility.

(4) The Operating Principal shall maintain a primary residence within a reasonable driving distance of the Franchised Business.

(5) The Operating Principal shall successfully complete and be certified in any training required by ZIPS pursuant to Section 12.

(6) ZIPS shall have approved the Operating Principal, and not have later withdrawn that approval.

If the Operating Principal no longer qualifies as such, Franchisee shall designate another qualified person to act as Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. Franchisee's designee to become the Operating Principal must successfully complete ZIPS' initial training program and any additional training required by ZIPS. Following ZIPS' approval of a new Operating Principal, that person shall execute the attached form of Guarantee.

H. Store Manager(s). ZIPS requires that Franchisee designate at least one trained and certified Store Manager(s) of the Franchised Business. The Store Manager(s), as of the date of this Agreement, is identified in Appendix C. The Store Manager(s) shall meet all of the following qualifications:

(1) At all times when Franchisee, the Operating Principal (if applicable) or a 10% Owner who has successfully completed ZIPS' initial training program is not actively managing the Franchised Business, the Store Manager shall actively oversee and manage the Franchised Business and have full control over the day-to-day activities at that Business.

(2) The Store Manager shall devote reasonable efforts to supervise and manage the operation of the Franchised Business and shall not engage in any other business activity, directly or indirectly, that requires substantial management responsibility.

(3) The Store Manager shall execute a confidentiality, nondisclosure and non-competition agreement in favor of ZIPS and its affiliates.

(4) The Store Manager must be trained in accordance with the System and Franchisee must certify to ZIPS that the Store Manager has successfully completed all required training. ZIPS reserves the right to determine, in its sole discretion, whether the Store Manager trained by Franchisee (or the Operating Principal) has successfully completed the initial training program.

19. TRANSFERS BY ZIPS

ZIPS shall have the absolute, unrestricted right, exercisable at any time, to transfer and assign all or any part of its rights and obligations under this Agreement to any person or legal entity without the consent of Franchisee.

20. TRANSFERS BY FRANCHISEE

A. Consent Required. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that ZIPS has entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience and demonstrated or purported ability in developing and operating high quality dry cleaning and laundry services operations. Neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, or legal entity that directly or indirectly controls Franchisee shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in Franchisee, this Agreement, the Franchise, the Franchised Business, the assets of the Franchised Business, the Franchised Location or any other assets pertaining to Franchisee's operations under this Agreement (collectively "Transfer") without the prior written consent of ZIPS, unless otherwise permitted by this Section. Except as otherwise provided in this Agreement, any purported Transfer, by operation of law or otherwise, not having the prior written consent of ZIPS shall be null and void and shall constitute a material breach of this Agreement, for which ZIPS may terminate this Agreement without providing Franchisee an opportunity to cure the breach.

B. Transfer Considerations. Franchisee shall advise ZIPS in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee and submit a copy of all contracts, agreements or proposals and all other information requested by ZIPS relating to the proposed Transfer. Franchisee shall not advertise the sale of any interest in any manner without ZIPS' prior written consent. If ZIPS does not exercise its right of first refusal (as described in Section 20K), the decision as to whether or not to approve a proposed Transfer shall be made by ZIPS in its sole discretion and shall include numerous factors deemed relevant by ZIPS. These factors may include, but will not be limited to, the following:

(1) The proposed transferee (and if the proposed transferee is other than an individual, all persons that have any direct or indirect interest in the transferee as ZIPS may require) must meet the managerial, operational, experience, quality, character and business standards for a franchisee promulgated by ZIPS from time to time; must possess a good character, business reputation and credit rating; must have an organization whose management culture is compatible with ZIPS' management culture; and must have adequate financial resources and working capital to meet Franchisee's obligations under this Agreement.

(2) Intentionally Deleted.

(3) All of Franchisee's accrued monetary obligations to ZIPS and its affiliates (whether arising under this Agreement or otherwise) and all other outstanding obligations related to the Franchised Business (including, but not limited to, bills from suppliers, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied or, in the reasonable judgment of ZIPS, adequately provided for. ZIPS reserves the right to require that a reasonable sum of money be placed in escrow to ensure that all of these obligations are satisfied.

(4) Franchisee is not then in material default of any provision of this Agreement or any other agreement between Franchisee and ZIPS or its affiliates, is in good standing as a franchisee with ZIPS and its affiliates, is not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Business and is not in default beyond the applicable cure period with any vendor or supplier to the Franchised Business.

(5) Franchisee, all individuals who executed this Agreement and all guarantors of Franchisee's obligations must execute a general release and a covenant not to sue, in a form satisfactory to ZIPS, of any and all claims against ZIPS and its affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between Franchisee and ZIPS or its affiliates and Franchisee's operation of the Franchised Business and all other dry cleaning and laundry services businesses operated by Franchisee that are franchised by ZIPS or its affiliates.

(6) The transferor and/or all guarantors must sign a non-competition covenant, in form and substance satisfactory to ZIPS, in favor of ZIPS and the proposed transferee agreeing that, for a 2 year period, starting on the effective date of the Transfer, the transferor and/or all guarantors will not directly or indirectly, such as through members of their immediate family members (including a spouse, parent, sibling, or child, whether natural or adopted) own any legal or beneficial interest in, or render services or give advice to, any Competitive Business (as defined in Section 22.C.(2)(c)) within 25 miles of (i) the border of any development territory under any development agreement with ZIPS, (ii) of any site accepted by ZIPS for a Franchised Business, or (iii) of any then-existing ZIPS Dry Cleaners Business including the Franchised Business.

(7) The transferee shall complete the training required by ZIPS. ZIPS reserves the right to charge the transferee a tuition fee for each person who attends such training programs.

ZIPS' decision with respect to a proposed Transfer shall not create any liability on the part of ZIPS: **(a)** to the transferee, if ZIPS approves the Transfer and the transferee experiences financial difficulties; or **(b)** to Franchisee or the proposed transferee, if ZIPS disapproves the Transfer. ZIPS, without any liability to Franchisee or the proposed transferee, has the right, in its sole discretion, to communicate and counsel with Franchisee and the proposed transferee regarding any aspect of the proposed Transfer.

C. Transfer Conditions. If ZIPS approves a proposed Transfer, prior to the Transfer becoming effective:

(1) The transferor shall pay ZIPS a nonrefundable Transfer fee in the amount of $10,000 in connection with ZIPS' review of the Transfer application.

(2) Franchisee and the proposed transferee shall execute, at ZIPS' election, an assignment agreement and any amendments to this Agreement deemed necessary or desirable by ZIPS to reflect the Transfer and/or ZIPS' then-current standard form of franchise agreement for an initial term ending on the expiration date of the Initial Term. In either event, a guarantee of the type required by Section 18F shall be executed by those individuals identified in Section 18F. In addition, Franchisee, the proposed transferor and the proposed transferee shall sign all other documents and take such actions as ZIPS may require to protect ZIPS' rights under this Agreement.

(3) The transferor shall remain liable for all obligations to ZIPS incurred before the date of the Transfer and for a 2-year period following the effective date of the Transfer. The transferor shall execute any and all instruments reasonably requested by ZIPS to evidence that liability.

(4) The transferor and the transferee shall sign such other documents and take such other actions as ZIPS may require to protect its rights under this Agreement.

D. Transfer for Convenience. If Franchisee is an individual or a partnership and desires to Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership, the requirements of Sections 20B and 20C(2) shall apply to such a Transfer; however, Franchisee will not be required to pay a Transfer fee. ZIPS' approval also will be conditioned on the following: **(1)** the corporation or limited liability company must be newly organized; **(2)** prior to the Transfer, the transferee shall comply with the provisions of Section 18 including providing ZIPS a copy of the documents specified in Section 18B; and **(3)** Franchisee must own all voting securities of the corporation or membership interests of the limited liability company or, if Franchisee is owned by more than one individual, each person shall have the same proportionate ownership interest in the corporation or the limited liability company as prior to the Transfer.

E. Stock Options. Notwithstanding the provisions of Sections 20A and 20B, the issuance of options or the exercise of options pursuant to a qualified stock option plan or a qualified employee stock ownership plan shall not be considered a Transfer and shall not require the prior written approval of ZIPS; provided no more than a total of 49% of Franchisee's outstanding voting securities are subject to the qualified stock option plan or qualified employee stock ownership plan.

F. Publicly-Held Entity. If Franchisee was a publicly-held entity as of the date of the first franchise-related agreement between Franchisee and ZIPS or its affiliates, Section 20B shall be applicable to transfers of ownership interests in Franchisee only if the proposed Transfer would result in: **(1)** 50% or more of Franchisee's voting securities being held by different shareholders than as of the date of the first franchise-related agreement between Franchisee and ZIPS or its affiliates; or **(2)** any change in ownership of Franchisee's voting securities whereby any existing shareholder of Franchisee acquires an additional 10% or more of Franchisee's voting securities; or **(3)** any change in the membership of the Continuity Group (unless such change is a permitted Transfer pursuant to Section 20H).

G. Death/Incapacity. If the Transfer is a transfer of ownership interests in Franchisee following the death or permanent incapacity of a person with an ownership interest in Franchisee, Sections 20B and 20C(2) shall be applicable to that Transfer, and the Transfer must be completed within 180 days after the death or permanent incapacity of the person.

H. Permitted Transfers. Notwithstanding the provisions of Sections 20A and 20B, ZIPS agrees that, if the Transfer is a transfer of an ownership interest in Franchisee of 10% or less, provided that after the Transfer the Continuity Group owns at least 51% of all ownership interests in Franchisee, that Transfer shall be permitted without ZIPS' prior written approval, provided that: **(1)** Franchisee provides ZIPS written notice of its intent to undertake the Transfer at least 30 days prior to the effective date of the Transfer, together with documents demonstrating that the Transfer meets this Section; **(2)** at the time of Franchisee's notice to ZIPS, Franchisee is not in default of this Agreement or any other agreements between Franchisee and ZIPS or its affiliates; and **(3)** in connection with the Transfer, all persons who will have an ownership interest in Franchisee after the Transfer fully comply with the requirements of Section 18.

I. Security Interests. Franchisee shall not grant any security interest in its business, the Franchised Business, the Franchised Location or the assets used in the operation of the Franchised Business without ZIPS' prior written approval. ZIPS' approval may be conditioned, in its sole discretion, on the written agreement by the secured party that, in the event of a default by Franchisee under any agreement related to the security interest, ZIPS shall have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of all sums then due to the secured party. If Franchisee (or any person with a direct or indirect interest in Franchisee) finances any part of the price paid in connection with the Transfer, the person or entity providing the financing must agree that all obligations of the proposed transferee and any security interests retained in the assets being transferred, will be subordinate to the proposed transferee's obligations to: **(1)** pay all amounts due to ZIPS and its affiliates; and **(2)** otherwise comply with this Agreement and all other agreements with ZIPS or its affiliates.

J. Public Offerings. Securities or partnership interests in Franchisee may be sold, by private or public offering, only with ZIPS' prior written consent (whether or not ZIPS' consent is required under any other provision of this Section). In addition to the requirements of Section 20.B., prior to the time that any public offering or private placement of securities or partnership interests in Franchisee is made available to potential investors, Franchisee, at its expense, shall deliver to ZIPS a copy of the offering documents. Franchisee, at its expense, also shall deliver to ZIPS an opinion of Franchisee's legal counsel and an opinion of one other legal counsel selected by ZIPS (both of which shall be addressed to ZIPS and in a form acceptable to ZIPS) that the offering documents properly use the Marks and accurately describe Franchisee's relationship with ZIPS and/or its affiliates. The indemnification provisions of Section 27 shall also include any losses or expenses incurred by ZIPS and/or its affiliates in connection with any statements made by or on behalf of Franchisee in any public offering or private placement of Franchisee's securities.

K. Right of First Refusal.

(1) If any party holding any interest in Franchisee or in this Agreement receives a bona fide offer (as determined by ZIPS in its reasonable discretion) from a third party or otherwise desires to undertake any Transfer that would require ZIPS' approval (other than a Transfer for convenience of ownership pursuant to Section 20D), it shall notify ZIPS in writing of the terms of the proposed Transfer, and shall provide such information and documentation relating to the proposed Transfer as ZIPS may reasonably require. ZIPS or its designee may elect to purchase the interest that the seller proposes to Transfer any time within 30 days after receipt of written notification, and all documents and other information required by Section 20B, by sending written notice to the seller that ZIPS or its designee intends to purchase the seller's interest on the same financial terms and conditions offered by the third party (except that ZIPS or its designee shall not be obligated to pay any finder's or broker's fees). The closing on the sale of the interest shall take place no later than sixty (60) days after the date that ZIPS or its designee

has notified the seller of its intention to purchase the interest. In purchasing the interest, ZIPS or its designee shall be entitled to set off any monies owed to ZIPS or its affiliates by Franchisee and ZIPS or its designee shall be entitled to all customary representations and warranties that the assets are free and clear (or, if not, accurate and complete disclosure) as to: **(a)** ownership, condition and title; **(b)** liens and encumbrances; **(c)** environmental and hazardous substances; and **(d)** validity of contracts inuring to the purchaser or affecting the assets, whether contingent or otherwise.

(2) If the offer to Franchisee involves assets in addition to this Agreement, the Franchised Location, the Franchised Business and other dry cleaning and laundry services businesses operated by Franchisee that are franchised by ZIPS or its affiliates, Franchisee's notice to ZIPS shall state the cash value of that portion of the offer received by Franchisee relating to this Agreement, the Franchised Location, the Franchised Business and those other dry cleaning and laundry services businesses. If the proposed offer provides for payment of consideration other than cash or it involves intangible benefits, ZIPS or its designee may elect to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties are unable to agree within 30 days on the reasonable equivalent in cash of the non-cash part of the offer received by Franchisee or the cash value of that portion of the offer received by Franchisee relating to this Agreement, the Franchised Location, the Franchised Business and those other dry cleaning and laundry services businesses, the amount shall be determined by two professionally certified appraisers, Franchisee selecting one and ZIPS or its designee selecting one. If the higher appraisal is more than 10% greater than the other appraisal, the two appraisers shall select a third professionally certified appraiser who also shall determine the amount. The average value set by the appraisers (whether two or three appraisers as the case may be) shall be conclusive and ZIPS or its designee may exercise its right of first refusal within 30 days after being advised in writing of the decision of the appraisers. The cost of the appraisers shall be shared equally by the parties.

(3) ZIPS' failure to exercise its right of first refusal shall not constitute approval of the proposed Transfer nor a waiver of any other provision of this Section 20 with respect to a proposed Transfer. If ZIPS does not exercise its right of first refusal, Franchisee may not thereafter Transfer the interest at a lower price or on more favorable terms than those that have been offered to ZIPS. ZIPS shall again be given a right of first refusal if a transaction does not close within four months after ZIPS elected not to exercise its right of first refusal. In no event shall Franchisee offer the interest for sale or transfer at public auction, nor at any time shall an offer be made to the public to sell, transfer or assign, through any advertisement, either in the newspapers or otherwise, without first having obtained the written approval of ZIPS to the auction or advertisement.

L. No Waiver. ZIPS' consent to any Transfer shall not constitute a waiver of any claims ZIPS may have against the transferring party, nor shall it be deemed a waiver of ZIPS' right to demand exact compliance with any of the terms of this Agreement by the transferee, nor will it be deemed a waiver of ZIPS' right to give or withhold approval to future Transfers.

21. GENERAL RELEASE

Intentionally Deleted.

22. COVENANTS

A. Best Efforts. Franchisee and, if applicable, the Operating Principal shall devote full time, energy, and best efforts to the development, management and operation to the development, management and operation of the Franchised Business.

B. Confidentiality

(1) Franchisee acknowledges and agrees that: **(a)** ZIPS owns all right, title and interest in and to the System; **(b)** the System consists of trade secrets and confidential and proprietary information and know-how that gives ZIPS a competitive advantage; **(c)** ZIPS has taken all measures necessary to protect the trade secrets and the confidentiality of the proprietary information and know-how comprising the System; **(d)** all material or other information now or hereafter provided or disclosed to Franchisee regarding the System is disclosed in confidence; **(e)** Franchisee has no right to disclose any part of the System to anyone who is not an employee of Franchisee; **(f)** Franchisee will disclose to its employees only those parts of the System that an employee needs to know; **(g)** Franchisee will have a system in place to ensure its employees keep confidential ZIPS' trade secrets and confidential and proprietary information, and, Franchisee shall obtain from those of its employees designated by ZIPS an executed Confidentiality and Nondisclosure Agreement in the form prescribed by ZIPS; **(h)** Franchisee will not acquire any interest in the System; and **(i)** Franchisee's use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which ZIPS would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

(2) During the Initial Term or at any time thereafter, Franchisee shall not communicate or disclose any trade secrets or confidential or proprietary information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, recipes, techniques and other data that ZIPS or its affiliates designate as confidential shall be deemed confidential for purposes of this Agreement.

C. Restrictions

(1) Franchisee acknowledges and agrees that: **(a)** pursuant to this Agreement, Franchisee will have access to valuable trade secrets, specialized training and confidential information from ZIPS and/or its affiliates regarding the development, operation, purchasing, sales and marketing methods and techniques of ZIPS and its affiliates and the System; **(b)** the System and the opportunities, associations and experience established and acquired by Franchisee under this Agreement are of substantial and material value; **(c)** in developing the System, ZIPS and its affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** ZIPS would be unable adequately to protect the System and its trade secrets and confidential and proprietary information against unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information among ZIPS Dry Cleaners Businesses if franchisees or developers were permitted to hold interests in Competitive Businesses (as defined in Section 22C(2)(c)); and **(e)** restrictions on Franchisee's right to hold interests in, or perform services for, Competitive Businesses will not hinder its activities.

(2) Franchisee covenants and agrees that during the Initial Term, and for a continuous period of 2 years following the expiration, termination or Transfer of this Agreement, Franchisee (nor any individual or entity with any an ownership interest in Franchisee) shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, or other entity:

(a) Divert or attempt to divert any business or customer, or potential business or customer, of any ZIPS Dry Cleaners Business to any competitor, by direct or indirect inducement or otherwise.

(b) Employ or seek to employ any person then employed by ZIPS or any franchisee or developer of ZIPS, or otherwise directly or indirectly induce such person to leave his or her employment.

(c) Own, maintain, develop, operate, engage in, franchise or license, make loans to, have any interest in, render any services to, or give advice to, either directly or indirectly, any "Competitive Business." As used in this Agreement, the term "Competitive Business" means any business that offers dry cleaning or laundry services. This restriction shall not apply to Franchisee's existing dry cleaning and laundry services operations, if any, which are identified in Appendix A, nor shall it apply to other dry cleaning and laundry services businesses operated by Franchisee that are franchised by ZIPS or its affiliates.

(3) During the Initial Term, there is no geographical limitation on the restrictions set forth in Section 22C(2). Following the expiration, earlier termination or Transfer of this Agreement: **(a)** there are no geographical limitations on the restrictions set forth in Section 22C(2)(a) and (b); and **(b)** the restrictions in Section 22C(2)(c) shall apply within 25 miles of: (i) the border of any development territory under any development agreement with ZIPS, (ii) of any site accepted by ZIPS for a Franchised Business, or (iii) of any then-existing ZIPS Dry Cleaners Business including the Franchised Business.

(4) Franchisee agrees that, for a period of 2 years following the expiration, earlier termination or Transfer of this Agreement, Franchisee will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Franchised Location to any person, firm, partnership, corporation, or other entity that Franchisee knows, or has reason to know, intends to operate a Competitive Business at the Franchised Location. Franchisee, by the terms of any conveyance selling, assigning, leasing or transferring its interest in the Franchised Location, shall include these restrictive covenants as are necessary to ensure that a Competitive Business is not operated at the Franchised Location for this 2-year period, and Franchisee shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

(5) If any part of the restrictions in Section 22C is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

(6) If, at any time during the 2-year period following the expiration, earlier termination or Transfer of this Agreement, Franchisee fails to comply with its obligations under this Section, that period of noncompliance will not be credited toward Franchisee's satisfaction of the 2-year obligation.

D. Modification. ZIPS may, in its sole discretion, reduce the scope of any covenant in this Section 22 effective immediately upon Franchisee's receipt of written notice, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 31.

E. Execution of Covenants by Third Parties. At ZIPS' request, Franchisee shall obtain execution of covenants similar to those set forth in this Section 22 (including covenants applicable upon the termination of an individual's relationship with Franchisee) from all guarantors and any employees designated by ZIPS. Every covenant required by this Section 22E shall be in a form satisfactory to ZIPS, including, without limitation, specific identification of ZIPS as a third-party beneficiary of such covenants with the independent right to enforce them. Failure by Franchisee to obtain execution of any covenant required by this Section 22E shall constitute a material breach of this Agreement.

F. Survival. The terms of this Section 22 shall survive the termination, expiration or any Transfer of this Agreement. The parties agree this Section 22 shall be construed as independent of any other provision of this Agreement.

G. Applicability. The covenants and restrictions contained in this Section 22 shall apply to Franchisee and all guarantors of Franchisee's obligations. With respect to guarantors, these restrictions shall apply for a 2-year period after any guarantor ceases to be the Operating Principal or an officer, stockholder, director, member of the Continuity Group, a 10% Owner or a spouse of one of the foregoing. The restrictions contained in this Section 22 shall not apply to ownership of less than a 5% legal or beneficial ownership in the outstanding equity securities of any publicly held corporation by Franchisee or any guarantor of Franchisee's obligations. The existence of any claim Franchisee or any guarantor of Franchisee's obligations may have against ZIPS or its affiliates, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by ZIPS of the covenants in this Section 22.

23. DEFAULT AND TERMINATION

A. Termination.

In addition to the grounds for termination that may be stated elsewhere in this Agreement, ZIPS may terminate this Agreement, and the rights granted by this Agreement, upon written notice to Franchisee without an opportunity to cure (except as described below) upon the occurrence of any of the following events:

(1) Franchisee has not obtained written acceptance from ZIPS of a site by the Site Acceptance Deadline which action has not been cured within fifteen (15) days following written notice from ZIPS.

(2) Franchisee begins construction or renovation before ZIPS has accepted the site and accepted the Plans which action has not been cured within fifteen (15) days following written notice from ZIPS.

(3) Franchisee fails to begin construction or renovation on or before the Construction Commencement Deadline which action has not been cured within fifteen (15) days following written notice from ZIPS.

(4) Franchisee fails to open the Franchised Business on or before the Opening Deadline which action has not been cured within fifteen (15) days following written notice from ZIPS.

(5) Franchisee ceases to continuously operate the Franchised Business for a period of 5 consecutive days, unless the closing is due to an act of God, fire or other natural disaster or is approved in writing in advance by ZIPS.

(6) Franchisee is insolvent or is unable to pay its creditors (including ZIPS); files a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against Franchisee a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization, which is not dismissed within one hundred twenty (120) days of the filing; Franchisee makes an assignment for the benefit of creditors; or a receiver or trustee is appointed for Franchisee and not dismissed within one hundred twenty (120) days of the appointment.

(7) Execution is levied against Franchisee's business or property; suit to foreclose any lien or mortgage against the premises or equipment of the Franchised Business is instituted against Franchisee and is not dismissed within one hundred twenty (120) days; or the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal or constable.

(8) There is a material breach by Franchisee of any obligation under Section 15C(6) or Section 22.

(9) Any Transfer that requires ZIPS' prior written approval occurs without Franchisee having obtained that prior written approval which action has not been cured within fifteen (15) days following written notice from ZIPS.

(10) ZIPS discovers that Franchisee made a material misrepresentation or omitted a material fact in the information that was furnished to ZIPS in connection with its decision to enter into this Agreement.

(11) Franchisee knowingly falsifies any report required to be furnished ZIPS or makes any material misrepresentation in its dealings with ZIPS or fails to disclose any material facts to ZIPS which action has not been cured within fifteen (15) days following written notice from ZIPS.

(12) Franchisee fails to open the Franchised Business for business within 60 days after ZIPS first authorizes the opening of the Franchised Business.

(13) ZIPS makes a reasonable determination that continued operation of the Franchised Business by Franchisee will result in an imminent danger to public health or safety.

(14) Franchisee loses possession of the Franchised Location through its own fault or its failure to extend the lease for the Franchised Location through the Initial Term.

(15) Franchisee, the Operating Principal, any stockholder, member, partner, director or officer of Franchisee, any member of the Continuity Group or any 10% Owner is convicted of, or pleads no contest to, a felony charge; a crime involving moral turpitude; or any other crime or offense that is reasonably likely, in the sole opinion of ZIPS, to adversely affect

ZIPS, its affiliates or the System which is not cured within thirty (30) days following written notice from ZIPS.

(16) There is a material breach of any representation or warranty set forth in Section 35.

(17) Franchisee, the Operating Principal, any member of the Continuity Group or any 10% Owner remains in default beyond the applicable cure period under any other agreement with ZIPS or its affiliates (provided that, if the default is not by Franchisee, Franchisee is given written notice of the default and a 30 day period to cure the default), or Franchisee remains in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to the Franchised Business, or Franchisee remains in default beyond the applicable cure period with any vendor or supplier to the Franchised Business, or Franchisee fails to pay when due any taxes or assessments relating to the Franchised Business or its employees, unless Franchisee is actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization.

B. Termination Following Expiration of Cure Period

(1) Except for those items listed in preceding Section 23A, if Franchisee fails to materially comply with any of the requirements imposed by this Agreement, the Manuals or otherwise in writing, or to carry out the terms of this Agreement in good faith, Franchisee shall have 30 days after receipt of written notice of default from ZIPS within which to remedy that default and provide evidence of that remedy to ZIPS. If any such default is not cured within that 30-day period, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of that 30-day period, unless ZIPS notifies Franchisee otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, Franchisee shall have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that Franchisee begins taking the actions necessary to correct the default during the 30-day period and diligently and in good faith pursues to completion the actions necessary to cure the default.

(2) Notwithstanding the provisions of Section 23B(1), if Franchisee fails to timely pay any monies owed to ZIPS or its affiliates, Franchisee shall have 10 days after receipt of written notice of default from ZIPS within which to remedy that default. If Franchisee fails to pay such monies within that 10-day period, this Agreement will terminate effective immediately upon expiration of that time, unless ZIPS notifies Franchisee otherwise in writing.

(3) If Franchisee has received at least one notice of default within the previous 12 months, ZIPS shall be entitled to send Franchisee a notice of termination upon Franchisee's next default within that 12-month period under this Section 23B(3) without providing Franchisee an opportunity to remedy the default.

(4) In addition to the other provisions of this Section 23B, if ZIPS reasonably determines that Franchisee is or will be unable to meet its obligations to ZIPS or its affiliates under this Agreement, ZIPS may provide Franchisee written notice to that effect and demand that Franchisee provide those assurances reasonably designated by ZIPS, which may include security or letters of credit for the payment of Franchisee's obligations to ZIPS and its affiliates. If Franchisee fails to provide the assurances demanded by ZIPS within 30 days after its receipt of written notice from ZIPS, this Agreement shall terminate without further notice to Franchisee

effective immediately upon expiration of that time, unless ZIPS notifies Franchisee otherwise in writing.

C. Termination Following Inspection. ZIPS has right to periodically conduct inspections of the Franchised Business to evaluate Franchisee's compliance with the System and this Agreement. Following each inspection, ZIPS will provide Franchisee an inspection report listing Franchisee's score on the inspection and those conditions at the Franchised Business that must be rectified. If Franchisee fails to achieve a passing score on an inspection, the inspection report shall constitute a notice of default. If Franchisee fails to achieve a passing score on the next inspection (which will be conducted at least 30 days after the prior failing inspection), ZIPS may terminate this Agreement, without opportunity to cure, by providing Franchisee written notice of termination along with the inspection report.

D. Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

24. OBLIGATIONS ON TERMINATION OR EXPIRATION

A. Post-Termination Obligations. Upon termination or expiration of this Agreement:

(1) The limited exclusive rights granted to Franchisee in the Protected Area immediately will terminate, and we will have the right to operate, or license others to operate, ZIPS Dry Cleaners Businesses anywhere in the Protected Area.

(2) Franchisee immediately shall cease operating a ZIPS Dry Cleaners Business at the Franchised Location.

(3) Franchisee immediately shall pay ZIPS and its affiliates all sums due and owing ZIPS or its affiliates relating to the Franchised Business.

(4) Franchisee promptly shall return to ZIPS the Manuals, any copies of any Manual and all other confidential and/or proprietary materials and information furnished by (or that belongs to) ZIPS or its affiliates. Franchisee promptly shall return to ZIPS, in good condition and repair excepting normal wear and tear, all computer software (ZIPSsoft software), disks, tapes and other magnetic storage media and any hardware components used in the computer system that were provided by ZIPS or its affiliates. Franchisee shall provide to ZIPS (and keep no copies) the customer list for the Franchised Business.

(5) Franchisee and all persons and entities subject to the covenants contained in Section 22 shall continue to abide by those covenants and shall not, directly or indirectly, take any action that violates those covenants.

(6) Franchisee immediately shall discontinue all use of the Marks in connection with the Franchised Business and of any and all items bearing the Marks; remove the Marks from the Franchised Business and from clothing, signs, materials, motor vehicles and other items owned or used by Franchisee in the operation of the Franchised Business; cancel all advertising for the Franchised Business that contains the Marks (including telephone directory listings unless ZIPS requests that Franchisee assign those listings to ZIPS); and take such action as may be

necessary to cancel any filings or registrations for the Franchised Business that contain any Marks.

(7) Franchisee promptly shall make such alterations and modifications to the Franchised Location as may be necessary to clearly distinguish to the public the Franchised Location from its former appearance and also make those specific additional changes as ZIPS may request for that purpose. If Franchisee fails to promptly make these alterations and modifications, ZIPS shall have the right (at Franchisee's expense, to be paid upon Franchisee's receipt of an invoice from ZIPS) to do so without being guilty of trespass or other tort.

(8) Franchisee shall work to assure that all items belonging to customers of the Franchised Business are kept in a manner in which the Franchised Business previously kept such items in its ordinary course of business. Franchisee shall attempt to notify customers of the Franchised Business that the location has ceased operating as a ZIPS Dry Cleaners Business and inform the customers of where their belongings can be found.

B. Evidence of Compliance. Within 30 days after the effective date of termination or expiration, Franchisee shall furnish ZIPS evidence (certified to be true, complete, accurate and correct by an officer of Franchisee) satisfactory to ZIPS of Franchisee's compliance with Sections 24A(2) – (7).

C. Other Business Operations. Franchisee shall not, except with respect to a ZIPS Dry Cleaners Business that is under development or open and operating pursuant to an effective franchise agreement: **(1)** operate or do business under any name or in any manner that might tend to give the public the impression that Franchisee is connected in any way with ZIPS or its affiliates or has any right to use the System or the Marks; **(2)** make, use or avail itself of any of the materials or information furnished or disclosed by ZIPS or its affiliates under this Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else; or **(3)** assist anyone not licensed by ZIPS or its affiliates to construct or equip a dry cleaning and laundry services outlet substantially similar to a ZIPS Dry Cleaners Business.

25. OPTION TO PURCHASE

A. Upon the expiration or termination of this Agreement for any reason, ZIPS shall have an option to purchase from Franchisee some or all of the assets used in the Franchised Business ("Assets"). If ZIPS intends to exercise its option to purchase, within 60 days after the effective date of termination or expiration, ZIPS shall give written notice to Franchisee stating that ZIPS will exercise this option. As used in this Section 25, "Assets" shall mean and include, without limitation, leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and inventory (non-perishable products, materials and supplies) used in the Franchised Business, and the real estate fee simple or the lease or sublease for the Franchised Location.

B. ZIPS shall have the unrestricted right to assign the option to purchase the Assets. ZIPS or its assignee shall be entitled to all customary representations and warranties that the Assets are free and clear (or, if not, accurate and complete disclosure) as to: **(1)** ownership, condition and title; **(2)** liens and encumbrances; **(3)** environmental and hazardous substances; and **(4)** validity of contracts and liabilities inuring to ZIPS or affecting the Assets, whether contingent or otherwise. ZIPS shall be entitled to the entry of interlocutory and permanent orders of specific performance by a court of competent jurisdiction if Franchisee fails or refuses to timely meet its obligations under this Section 25.

C. The purchase price for the Assets ("Purchase Price") shall be the fair market value, (or, for leased assets, the fair market value of Franchisee's lease) determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the Assets; provided, however, that the Purchase Price shall take into account the termination of this Agreement. Further, the Purchase Price for the Assets shall not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Franchised Business nor any goodwill or "going concern" value for the Franchised Business. ZIPS may exclude from the Assets purchased in accordance with this Section any equipment, vehicles, furnishings, fixtures, signs, and inventory that are not approved as meeting then-current standards for a ZIPS Dry Cleaners Business or for which Franchisee cannot deliver a Bill of Sale in a form satisfactory to ZIPS.

D. If ZIPS and Franchisee are unable to agree on the fair market value of the Assets within 30 days after Franchisee's receipt of ZIPS' notice of its intent to exercise its option to purchase the Assets, the fair market value shall be determined by two professionally certified appraisers, Franchisee selecting one and ZIPS selecting one. If the higher appraisal is more than 10% greater than the other appraisal, the two appraisers shall select a third professionally certified appraiser who also shall appraise the fair market value of the Assets. The average value set by the appraisers (whether two or three appraisers as the case may be) shall be conclusive and shall be the Purchase Price. The appraisers shall be given full access to the Franchised Business, the Franchised Location and Franchisee's books and records during customary business hours to conduct the appraisal and shall value the leasehold improvements, equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section 25. The appraisers' fees and costs shall be borne equally by ZIPS and Franchisee.

E. Within 10 days after the Purchase Price has been agreed to by the parties or set by appraisers, ZIPS may exercise its option to purchase the Assets by so notifying Franchisee in writing ("Purchase Notice"). The Purchase Price shall be paid in cash or cash equivalents at the closing of the purchase ("Closing"), which shall take place no later than 60 days after the date of the Purchase Notice. From the date of the Purchase Notice until Closing:

(1) Franchisee shall operate the Franchised Business and maintain the Assets in the usual and ordinary course of business and maintain in full force all insurance policies required under this Agreement; and

(2) ZIPS shall have the right to appoint a manager, at ZIPS' expense, to control the day-to-day operations of the Franchised Business and Franchisee shall cooperate, and instruct its employees to cooperate, with the manager appointed by ZIPS. Alternatively, ZIPS may require Franchisee to close the Franchised Business during such time period without removing any Assets from the Franchised Business.

F. For a period of 30 days after the date of the Purchase Notice ("Due Diligence Period"), ZIPS shall have the right to conduct such investigations as it deems necessary and appropriate to determine: **(1)** the ownership, condition and title of the Assets; **(2)** liens and encumbrances on the Assets; **(3)** environmental and hazardous substances at or upon the Franchised Location; and **(4)** the validity of contracts and liabilities inuring to ZIPS or affecting the Assets, whether contingent or otherwise. Franchisee will afford ZIPS and its representatives access to the Franchised Business and the Franchised Location at all reasonable times for the purpose of conducting inspections of the Assets; provided that such access does not unreasonably interfere with Franchisee's operation of the Franchised Business.

G. During the Due Diligence Period, at its sole option and expense, ZIPS may **(1)** cause the title to the Assets that consist of real estate interests ("Real Estate Assets") to be examined by a nationally recognized title company and conduct lien searches as to the other Assets; **(2)** procure "AS BUILT" surveys of the Real Estate Assets; **(3)** procure environmental assessments and testing with respect to the Real Estate Assets; and/or **(4)** inspect the Assets that consist of leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and inventory ("Fixed Assets") to determine if the Fixed Assets are in satisfactory working condition. Prior to the end of the Due Diligence Period, ZIPS shall notify Franchisee in writing of any objections that ZIPS has to any finding disclosed in any title or lien search, survey, environmental assessment or inspection. If Franchisee cannot or elects not to correct any such title defect, environmental objection or defect in the working condition of the Fixed Assets, ZIPS will have the option to either accept the condition of the Assets as they exist or rescind its option to purchase on or before the Closing.

H. Prior to the Closing, Franchisee and ZIPS shall comply with all applicable legal requirements, including the bulk sales provisions of the Uniform Commercial Code of the state in which the Franchised Business is located and the bulk sales provisions of any applicable tax laws and regulations. Franchisee shall, prior to or simultaneously with the Closing, pay all tax liabilities incurred in connection with the operation of the Franchised Business prior to Closing. ZIPS shall have the right to set off against and reduce the Purchase Price by any and all amounts owed by Franchisee to ZIPS, any and all amounts owed by Franchisee and assumed by ZIPS and any other obligations of Franchisee that ZIPS becomes responsible for, assumes or pays, and the amount of any encumbrances or liens against the Assets or any obligations assumed by ZIPS.

I. If the Franchised Location is leased, ZIPS agrees to use reasonable efforts to effect a termination of the existing lease for the Franchised Location. If the lease for the Franchised Location is assigned to ZIPS or ZIPS subleases the Franchised Location from Franchisee, ZIPS will indemnify and hold Franchisee harmless from any ongoing liability under the lease from the date ZIPS assumes possession of the Franchised Location, and Franchisee will indemnify and hold ZIPS harmless from any liability under the lease prior to and including that date.

If Franchisee owns the Franchised Location, ZIPS, at its option, will either purchase the fee simple interest or, upon purchase of the other Assets, enter into a standard lease with Franchisee on terms comparable to those for which similar commercial properties in the area are then being leased. The initial term of this lease with Franchisee shall be at least 10 years with 2 options to renew of 5 years each and the rent shall be the fair market rental value of the Franchised Location. If Franchisee and ZIPS cannot agree on the fair market rental value of the Franchised Location, then appraisers (selected in the manner described in Section 25.D.) shall determine the rental value.

J. At the Closing, Franchisee shall deliver instruments transferring to ZIPS or its assignee: **(1)** good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to ZIPS or its assignee), with all sales and other transfer taxes paid by the Franchisee; **(2)** all licenses and permits for the Franchised Business that may be assigned or transferred, with appropriate consents; and **(3)** the lease or sublease for the Franchised Location, with appropriate consents. If Franchisee cannot deliver clear title to all of the purchased Assets as indicated in this Section, or if there are other unresolved issues, the Closing shall be accomplished through an escrow.

26. RELATIONSHIP OF THE PARTIES

A. This Agreement does not create a fiduciary or other special relationship between the parties. No agency, employment, or partnership is created or implied by the terms of this Agreement, and Franchisee is not and shall not hold itself out as agent, legal representative, partner, subsidiary, joint venturer or employee of ZIPS or its affiliates. Franchisee shall have no right or power to, and shall not, bind or obligate ZIPS or its affiliates in any way or manner, nor represent that Franchisee has any right to do so. Franchisee shall not issue any press releases without the prior written approval of ZIPS.

B. Franchisee is an independent contractor and is solely responsible for all aspects of the development and operation of the Franchised Business, subject only to the conditions and covenants established by this Agreement. Without limiting the generality of the foregoing, Franchisee acknowledges that ZIPS has no responsibility to ensure that the Franchised Business is developed and operated in compliance with all applicable laws, ordinances and regulations and that ZIPS shall have no liability in the event the development or operation of the Franchised Business violates any law, ordinance or regulation.

C. The sole relationship between Franchisee and ZIPS is a commercial, arms' length business relationship and, except as provided in Section 27, there are no third-party beneficiaries to this Agreement. Franchisee's business is, and shall be kept, totally separate and apart from any that may be operated by ZIPS. In all public records, in relationships with other persons, and on letterheads and business forms, Franchisee shall indicate its independent ownership of the Franchised Business and that Franchisee is solely a franchisee of ZIPS. Franchisee shall post a sign in in the lobby or customer area of the Franchised Business which will contain Franchisee's name and state that the Franchised Business is independently owned and operated by Franchisee under a franchise agreement with ZIPS Franchising, LLC.

27. INDEMNIFICATION

A. Except to the extent expressly limited by any applicable law, Franchisee and all guarantors of Franchisee's obligations under this Agreement shall, at all times, indemnify, defend (with counsel reasonably acceptable to ZIPS), and hold harmless (to the fullest extent permitted by law) ZIPS and its affiliates, and their respective successors, assigns, past and present stockholders, directors, officers, employees, agents and representatives (collectively, "Indemnitees") from and against all "losses and expenses" (as defined below) incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or informal), judgment or appeal thereof by or against Indemnitees or any settlement thereof (whether or not a formal proceeding or action had been instituted), arising out of or resulting from or connected with Franchisee's activities under this Agreement. Franchisee promptly shall give ZIPS written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation filed or instituted against Franchisee and, upon request, shall furnish ZIPS with copies of any documents from such matters as ZIPS may request.

At Franchisee's expense and risk, ZIPS may elect to assume (but under no circumstances will ZIPS be obligated to undertake), the defense and/or settlement of any action, suit, proceeding, claim, demand, investigation, inquiry, judgment or appeal thereof subject to this indemnification. Such an undertaking shall, in no manner or form, diminish Franchisee's obligation to indemnify and hold harmless ZIPS and Indemnitees. ZIPS shall not be obligated to seek recoveries from third parties or otherwise mitigate losses.

B. As used in this Section, the phrase "losses and expenses" shall include, but not be limited to, all losses; compensatory, exemplary and punitive damages; fines; charges; costs; expenses; lost profits; reasonable attorneys' fees; expert witness fees; court costs; settlement amounts; judgments; compensation for damages to ZIPS' reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

28. CONSENTS, APPROVALS AND WAIVERS

A. Whenever this Agreement requires the prior approval or consent of ZIPS, Franchisee shall make a timely written request to ZIPS therefor; and any approval or consent received, in order to be effective and binding upon ZIPS, must be obtained in writing and be signed by an authorized officer of ZIPS.

B. ZIPS makes no warranties or guarantees upon which Franchisee may rely by providing any waiver, approval, consent or suggestion to Franchisee in connection with this Agreement, and assumes no liability or obligation to Franchisee therefor, or by reason of any neglect, delay, or denial of any request therefor. ZIPS shall not, by virtue of any approvals, advice or services provided to Franchisee, assume responsibility or liability to Franchisee or to any third parties to which ZIPS would not otherwise be subject.

C. No failure of ZIPS to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of ZIPS' right to demand exact compliance with any of the terms of this Agreement. A waiver by ZIPS of any particular default by Franchisee shall not affect or impair ZIPS' rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of ZIPS to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions or covenants of this Agreement affect or impair ZIPS' right to exercise the same, nor shall such constitute a waiver by ZIPS of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by ZIPS of any payments due to it hereunder shall not be deemed to be a waiver by ZIPS of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

29. NOTICES

No notice, demand, request or other communication to the parties shall be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and: **(A)** if to Franchisee, is addressed to Franchisee at the notice address set forth in Appendix A; and **(B)** if to ZIPS, is addressed to ZIPS Franchising, LLC, 7474 Greenway Center Drive, Suite 1200, Greenbelt, MD 20770 (Attn: Chief Executive Officer) (Facsimile: 301-345-2985) (Email: notices@321zips.com). Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section. Notices shall be effective upon receipt (or first refusal of delivery) and may be: **(1)** delivered personally; **(2)** transmitted by facsimile or electronic mail to the numbers or addresses set forth above (or in Appendix A) with electronic confirmation of receipt; **(3)** mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or **(4)** mailed via overnight courier.

30. FORCE MAJEURE

The term "Force Majeure" means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby. Franchisee's inability to obtain financing (regardless of the reason) shall not constitute Force Majeure. If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure, which cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration.

31. ENTIRE AGREEMENT

This Agreement, the Manuals, the documents referred to herein, and the attachments hereto, constitute the entire, full and complete agreement between the parties concerning the matters covered by this Agreement, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments (other than as set forth in the Franchise Disclosure Document). No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth herein, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

32. DISPUTE RESOLUTION

A. Negotiation and Non-Binding Mediation. If any dispute, claim or controversy arises out of this Agreement or the parties' relationship, before beginning any legal action, the parties may attempt to resolve the dispute, claim or controversy through negotiation (as described in Section 32A(1)) or non-binding mediation (as described in Section 32A(2)); provided that the parties shall not be required to negotiate or mediate any such dispute, claim or controversy.

(1) Negotiation. The party initiating negotiation of any dispute, claim or controversy shall provide written notice to the other party describing the nature of the dispute, claim or controversy, specifying the relief sought and identifying the persons who are authorized to settle the dispute, claim or controversy. Within 10 days after receiving that notice, the other party shall designate in writing the persons who are authorized to settle the dispute, claim or controversy. The designated persons may take all actions necessary to investigate the dispute, claim or controversy provided however, within 14 days after the initial notice identifying the dispute, claim or controversy, those persons shall meet to negotiate a resolution of the dispute, claim or controversy.

(2) Non-Binding Mediation. If the parties fail to resolve any dispute, claim or controversy during a negotiation as set forth in Section 32A(1) within 30 days after the initial meeting of the persons designated by the parties, either party may notify the other party of its intent to commence non-binding mediation. Within 14 days after a request for mediation, the parties shall select a mediator who is experienced in the mediation of disputes in the franchise

industry. Any mediation shall take place in the county where ZIPS has its principal offices. The parties will share the costs of mediation equally, exclusive of their respective attorneys' fees.

B. Choice of Forum. Franchisee shall file any suit against ZIPS only in the federal or state court having jurisdiction where ZIPS' principal offices are located at the time suit is filed. ZIPS may file suit in the federal or state court located in the jurisdiction where its principal offices are located at the time suit is filed or in the jurisdiction where Franchisee resides or does business or where the Franchised Business is or was located or where the claim arose. Franchisee consents to the personal jurisdiction of those courts over Franchisee and venue in those courts.

C. Choice of Law. This Agreement and any dispute, claim or controversy arising out of, or relating to, the rights and obligations of the parties under this Agreement and any other dispute, claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles. Nothing in this Section is intended, or shall be deemed, to make any Maryland law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

D. Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including any action relating to the offer and sale of a franchise to Franchisee) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

E. Reimbursement of Costs and Expenses. If either ZIPS or Franchisee institutes any action or proceeding against the other relating to the provisions of this Franchise Agreement or any default hereunder, the non-prevailing party in such action or proceeding shall reimburse the prevailing party for the reasonable expenses of attorneys' fees and all costs and disbursements incurred therein by the prevailing party, including, without limitation, any such fees, costs or disbursements incurred on any appeal from such action or proceeding. The prevailing party shall recover all such fees, costs or disbursements as costs taxable by the court in the action or proceeding itself without the necessity for a cross-action by the prevailing party. The amount of these costs and expenses will be determined by the court.

F. Rights or Parties are Cumulative. The parties' rights under this Agreement are cumulative and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled by law or this Agreement to exercise or enforce.

G. Waiver of Punitive Damages and Jury Trial. To the fullest extent permitted by law, the parties waive any right to, or claim for, any punitive or exemplary damages against the other party. The parties also agree that, in the event of a dispute between them, the party making a claim will be limited to recovery of actual damages, if any. In addition, the parties irrevocably waive trial by jury in any action, proceeding, and/or counterclaim brought by either party.

33. SEVERABILITY AND CONSTRUCTION

A. Each article, paragraph, subparagraph, term and condition of this Agreement, and any portions thereof, will be considered severable. If, for any reason, any portion of this Agreement is determined to be invalid, contrary to, or in conflict with, any applicable present or

future law, rule or regulation in a final, unappealable ruling issued by any court, agency or tribunal with valid jurisdiction in a proceeding to which ZIPS is a party, that ruling will not impair the operation of, or have any other effect upon, any other portions of this Agreement; all of which will remain binding on the parties and continue to be given full force and effect.

B. Except as otherwise provided in Section 27, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee and ZIPS and its affiliates and such of their heirs, successors and assigns, any rights or remedies under or by reason of this Agreement.

C. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which ZIPS is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

D. No provision of this Agreement shall be interpreted in favor of, or against, any party because of the party that drafted this Agreement.

E. Whenever ZIPS has expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, ZIPS may make such decision or exercise its right and/or discretion on the basis of its judgment of what is in its best interests. This also applies if ZIPS is deemed to have a right and/or discretion. ZIPS' judgment of what is in the best interests of the System, at the time its decision is made or its right or discretion is exercised, can be made without regard to whether: **(1)** other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by ZIPS; **(2)** ZIPS' decision or the action taken promotes its financial or other individual interest; **(3)** ZIPS' decision or the action taken applies differently to Franchisee and one or more other franchisees or ZIPS company-owned or affiliate-owned operations; or **(4)** ZIPS' decision or the action taken is adverse to Franchisee's interests. ZIPS will have no liability to Franchisee for any such decision or action. ZIPS and Franchisee intend that the exercise of ZIPS' right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, ZIPS and Franchisee agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants ZIPS the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations under this Agreement.

34. MISCELLANEOUS

A. Gender and Number. All references to gender and number shall be construed to include such other gender and number as the context may require.

B. Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

C. Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

D. Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted shall be the day or month of the designated action, event or notice. Days shall be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically shall be extended to the next day that is not a Saturday, Sunday or national holiday.

E. Injunctive Relief. Franchisee recognizes that its failure to comply with the terms of this Agreement, including, but not limited to, the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to ZIPS, its affiliates and the System. Therefore, Franchisee agrees that, in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisee, ZIPS shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by ZIPS shall be in addition to, and not in lieu of, all remedies and rights that ZIPS otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

F. Delegation. ZIPS has the right, from time to time, to delegate the performance of any portion or all of its obligations and duties under this Agreement to designees, whether affiliates or agents of ZIPS or independent contractors with which ZIPS has contracted to provide this service.

G. Legal Compliance. Franchisee must comply with the requirements of all applicable federal, state and local laws, rules and regulations. Franchisee must timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

H. Variations. ZIPS has the right, in its sole discretion, to waive, defer, or permit variations from the standards of the System or any applicable agreement to any developer, franchisee, prospective developer or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, or any other condition or circumstance. ZIPS has the right, in its sole discretion, to deny any such request ZIPS believes would not be in the best interests of the System.

I. Control During Crisis Situation. If an event occurs at the Franchised Business that has or reasonably may cause harm or injury to customers, guests or employees (*e.g.,* slip and fall injuries, natural disasters, robberies, shootings, etc.) or may damage the Marks, the System or the reputation of ZIPS (collectively "Crisis Situation"), Franchisee shall: **(1)** immediately contact appropriate emergency care providers to assist it in curing the harm or injury; and **(2)** immediately inform ZIPS by telephone of the Crisis Situation. Franchisee shall refrain from making any internal or external announcements (*i.e.*, no communication with the news media) regarding the Crisis Situation (unless otherwise directed by ZIPS or public health officials). To the extent ZIPS deems appropriate, in its sole and absolute discretion, ZIPS or its designee may control the manner in which the Crisis Situation is handled by the parties, including, without limitation, conducting all communication with the news media, providing care for injured persons and/or temporarily closing the Franchised Business. The parties acknowledge that, in directing the management of any Crisis Situation, ZIPS or its designee may engage the services of attorneys, experts, doctors, testing laboratories, public relations firms and those other

professionals as it deems appropriate. Franchisee and its employees shall cooperate fully with ZIPS or its designee in its efforts and activities in this regard and shall be bound by all further Crisis Situation procedures developed by ZIPS from to time hereafter. The indemnification under Section 27 shall include all losses and expenses that may result from the exercise by ZIPS or its designee of the management rights granted in this Section 34I.

35. REPRESENTATIONS

Franchisee represents, acknowledges and warrants to ZIPS (and Franchisee agrees that these representations, acknowledgments and warranties shall survive expiration or termination of this Agreement) that:

A. This Agreement involves significant legal and business rights and risks. ZIPS does not guarantee Franchisee's success. Franchisee has read this Agreement in its entirety, conducted an independent investigation of the business contemplated by this Agreement, has been thoroughly advised with regard to the terms and conditions of this Agreement by legal counsel or other advisors of Franchisee's choosing, recognizes that the nature of the business conducted by ZIPS Dry Cleaners Businesses may change over time, has had ample opportunity to investigate all representations made by or on behalf of ZIPS, and has had ample opportunity to consult with current and former franchisees of ZIPS. The prospect for success of the business undertaken by Franchisee is speculative and depends to a material extent upon Franchisee's personal commitment, capability and direct involvement in the day-to-day management of the business.

B. ZIPS makes no express or implied warranties or representations that Franchisee will achieve any degree of success in the development or operation of the Franchised Business and that success in the development and operation of the Franchised Business depends ultimately on Franchisee's efforts and abilities and on other factors, including, but not limited to, market and other economic conditions, Franchisee's financial condition and competition.

C. ZIPS has entered, and will continue to enter, into agreements with other franchisees. The manner in which ZIPS enforces its rights and the franchisees' obligations under any of those other agreements shall not affect the ability of ZIPS to enforce its rights or Franchisee's obligations under this Agreement.

D. Franchisee has no territorial protection in the Designated Area. Acceptance of one or more sites by ZIPS and its refusal to accept other sites is not a representation that any site will achieve a certain sales volume or a certain level of profitability, or that an accepted site will have a higher sales volume or be more profitable than a site which ZIPS did not accept. Acceptance by ZIPS merely means that the minimum criteria which ZIPS has established for identifying sites for proposed ZIPS Dry Cleaners Businesses have been met. Because real estate development is an art and not a precise science, Franchisee agrees that acceptance, or refusal to accept a proposed site, by ZIPS, whether or not a Site Application is completed and/or submitted to ZIPS, shall not impose any liability or obligation on ZIPS. The decision to accept or reject a particular site is Franchisee's, subject to acceptance by ZIPS. Preliminary acceptance of a proposed site by any representative of ZIPS is not conclusive or binding, because his or her recommendation may be rejected by ZIPS.

E. ZIPS assumes no liability or responsibility for: (1) evaluation of any site's soil for hazardous substances; (2) inspection of any structure on the Franchised Location for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act ("ADA"); or (4) compliance with any other law. It is Franchisee's sole responsibility to obtain satisfactory evidence and/or assurances that the Franchised Location (and any structures thereon) is free from environmental contamination and in compliance with the requirements of ADA.

F. Franchisee shall not rely upon any opinions expressed by ZIPS or any of their officers, directors, stockholders, employees or agents regarding structural integrity, safety or construction procedures, building codes or ordinances or other matters properly within the responsibility of Franchisee and its architect (even if Franchisee uses ZIPS recommended architect). The duties of ZIPS' construction representatives are limited solely to ensuring that development plans and other requirements under this Agreement are met. Franchisee agrees that ZIPS' final inspection and authorization to open the Business shall not impose any liability or responsibility on ZIPS.

G. The Initial Franchise Fee is not refundable.

H. ZIPS may change or modify the System, from time to time, including the Manuals, and Franchisee will be required to make such expenditures as such changes or modifications in the System may require.

I. Except as set forth in Section 1B, nothing in this Agreement prohibits ZIPS or its affiliates from: (1) operating or licensing others to operate ZIPS Dry Cleaners Businesses at any location other than within the Protected Area; (2) operating or licensing others to operate dry cleaning and laundry services businesses, other than ZIPS Dry Cleaners Businesses, at any location within the Protected Area; (3) utilizing the System or any part of the System in any manner other than operation by ZIPS or its affiliates of a ZIPS Dry Cleaners Business within the Protected Area; and (4) merchandising and distributing goods and services identified by the Marks at any location through any other method or channel of distribution.

J. All information Franchisee provided to ZIPS in connection with Franchisee's franchise application and ZIPS' grant of this Franchise is truthful, complete and accurate.

K. The persons signing this Agreement on behalf of Franchisee have full authority to enter into this Agreement and the other agreements contemplated by the parties. Execution of this Agreement or such other agreements by Franchisee does not and will not conflict with or interfere with, directly or indirectly, intentionally or otherwise, with the terms of any other agreement with any other third party to which Franchisee or any person with an ownership interest in Franchisee is a party.

L. Except as may be set forth in the Franchise Disclosure Document, Franchisee has not received from ZIPS or its affiliates or anyone acting on their behalf, any representation of Franchisee's potential sales, expenses, income, profit or loss.

M. Franchisee has not received from ZIPS or its affiliates or anyone acting on their behalf, any representations other than those contained in ZIPS' Franchise Disclosure Document as inducements to enter this Agreement.

N. Even though this Agreement contains provisions requiring Franchisee to operate the Franchised Business in compliance with the System: (1) ZIPS and its affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of Franchisee's business or employment decisions; (2) Franchisee and ZIPS do not intend for ZIPS or its affiliates to incur any liability in connection with or arising from any aspect of the System or Franchisee's use of the System, whether or not in accordance with the requirements of the Manuals; and (3) ZIPS is not a joint employer with the Franchisee for any reason.

O. In the event of a dispute between ZIPS and Franchisee, the parties have waived their right to a jury trial.

P. Franchisee acknowledges that, over time, ZIPS has entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that ZIPS and other franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Agreement as of the day and year first above written.

FRANCHISOR:
ZIPS FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

Date: _____

IF FRANCHISEE IS AN ENTITY:

FRANCHISEE:
NAME OF ENTITY: _____

By: _____

Print Name: _____

Title: _____

Date: _____

IF FRANCHISEE IS AN INDIVIDUAL:

WITNESS:

_____

Print Name: _____

FRANCHISEE:

_____

Print Name: _____

Date: _____

GUARANTEE AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the ZIPS Dry Cleaners Franchise Agreement dated as of _____ ("Agreement") by ZIPS Franchising, LLC ("ZIPS"), entered into with _____ ("Franchisee"), the undersigned ("Guarantors"), each of whom is an officer, director, member of Franchisee's Continuity Group or a direct or indirect holder of a legal or beneficial interest in Franchisee of 10% or more ("10% Owner") or a spouse of one of the foregoing, hereby personally and unconditionally: **(1)** guarantee to ZIPS and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall **(a)** punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and **(b)** punctually pay all other monies owed to ZIPS and/or its affiliates; **(2)** agree personally to be bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 20, 22 and 27; and **(3)** agree personally to be liable for the breach of each and every provision in the Agreement, including, without limitation, Section 22.

Each of the undersigned waives: **(a)** acceptance and notice of acceptance by ZIPS of the foregoing undertakings; **(b)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(c)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(d)** any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; **(e)** all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guarantee by the undersigned; **(f)** any law or statute that requires that ZIPS make demand upon, assert claims against or collect from Franchisee or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee; **(g)** any and all other notices and legal or equitable defenses to which he may be entitled; and **(h)** any and all right to have any legal action under this Guarantee decided by a jury.

Each of the undersigned consents and agrees that: **(i)** his direct and immediate liability under this Guarantee shall be joint and several; **(ii)** he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by ZIPS of any remedies against Franchisee or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which ZIPS may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the Initial Term and for so long thereafter as there are monies or obligations owing from Franchisee to ZIPS or its affiliates under the Agreement; and **(v)** monies received from any source by ZIPS for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by ZIPS. In addition, if any of the undersigned ceases to be a member of the Continuity Group, a 10% Owner, an officer or director of Franchisee or own any interest in Franchisee prior to termination or expiration of the Agreement, that person agrees that his obligations under this Guarantee shall continue to remain in force and effect unless ZIPS in its sole discretion, in writing, releases that person from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the covenants contained in Section 22 which by their terms continue in force after the expiration or termination of the

Agreement shall remain in force and effect for the time periods set forth in Section 22. A release by ZIPS of any of the undersigned shall not affect the obligations of any other Guarantor. Notwithstanding any Transfer, this Guarantee shall remain in full force and effect for a period of 2 years after the effective date of the Transfer.

If any of the following events occur, a default ("Default") under this Guarantee shall exist: **(a)** failure of timely payment or performance of the obligations under this Guarantee; **(b)** breach of any agreement or representation contained or referred to in this Guarantee; **(c)** the dissolution of, termination of, existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned shall be due immediately and payable without notice. Upon the death of one of the undersigned, the estate shall be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect.

This Guarantee shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. ZIPS' interests in and rights under this Guarantee are freely assignable, in whole or in part, by ZIPS. Any assignment shall not release the undersigned from this Guarantee.

Section 32 of the Agreement is incorporated by reference into this Guarantee with all defined terms in that Section deemed modified to reflect the terms of this Guarantee. All capitalized terms in this Guarantee that are not defined shall have the meaning given them in the Agreement (with modifications as required by the context of this Guarantee).

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal.

GUARANTORS:

Date: _____ _____

Print Name: _____

Address: _____

Date: _____ _____

Print Name: _____

Address: _____

Date: _____ _____

Print Name: _____

Address: _____

Date: _____ _____

Print Name: _____

Address: _____

APPENDIX A

FRANCHISE INFORMATION

1. Franchised Location (Recitals): _____

2. Protected Area (Section 1B): The Protected Area shall be described as follows:

_____

If the Franchised Location has not been identified as of the date of the Franchise Agreement, the Protected Area will be determined by ZIPS and inserted when the Franchised Location is identified. Franchisee's rights in the Protected Area are subject to the limitations described in Section 1C. Any boundaries contained in the description of the Protected Area will be considered fixed as of the date of this Agreement and shall not change notwithstanding a change in those boundaries.

3. Opening Date (Section 2A): _____

4. Designated Area (Section 3A): The Designated Area shall be described as follows:

_____

If the Franchised Location has been selected as of the date of the Franchise Agreement, no Designated Area will be identified.

5. Site Acceptance Deadline (Section 3D(2)): _____

6. Construction Commencement Deadline (Section 5B(1)): _____

7. Opening Deadline (Section 5B(2)): _____

8. Initial Franchise Fee (Section 7A(1)): $_____, which is payable upon execution of this Agreement. The ZIPSsoft Initial Software License Fee is due along with the payment of the Initial Franchise Fee.

9. Any Other Businesses that Franchisee or Operating Principal Own, Manage, Operate, or Are Involved In (Section 15H): _____

_____

10. Interests in Other Dry Cleaning and Laundry Services Businesses (Section 22C(2)(c)): _____

_____

11. Franchisee's Notice Address and Email Address (Section 29): _____

_____

APPENDIX B
FRANCHISEE'S TOTAL MARKETING OBLIGATION

As of the date of the Franchise Agreement, Franchisee's Total Marketing Obligation under Section 9 of the Franchise Agreement and its allocation are:

1.	National Marketing Fund (Section 9C)	____% of Royalty Net Sales
2.	Regional Marketing Fund (Section 9D) **OR** Regional Co-op (Section 9.F.)	____% of Royalty Net Sales
3.	Local Store Marketing (Section 9G)	____% of Royalty Net Sales
	TOTAL	____% of Royalty Net Sales

The Franchised Business is located in the following Designated Market Area:

NOTES:

(a) Pursuant to Section 9, ZIPS may modify and reallocate the Total Marketing Obligation.

(b) Regional Co-ops may have the right to set the Regional Co-op contribution and, if some instances, the required contribution may increase Franchisee's Total Marketing Obligation above 5% of Royalty Net Sales.

(c) If a Regional Marketing Fund or a Regional Co-op includes the Franchised Location and Franchisee timely pays the required contribution to that Fund/Co-op, the Local Store Marketing obligation shall be reduced.

APPENDIX C
OWNERSHIP INTERESTS

CORPORATE FRANCHISEE

If Franchisee is a corporation, the number of authorized shares of Franchisee that have been issued is _____ and the name, address, number of shares owned (legally or beneficially) and office held by each shareholder is as follows:

Name	Address	No. of Shares	Office Held

LIMITED LIABILITY COMPANY FRANCHISEE

If Franchisee is a limited liability company, the name, address and percentage interest of each member is as follows:

Name	Address	Percentage Interest

OTHER BUSINESS ENTITY FRANCHISEE

If Franchisee is some other business entity, the type of business entity and the name, address and ownership interest (including for a limited partnership, whether a general or limited partner), is as follows:

Type of Business Entity:_____

Name	Address	Ownership Interest

APPENDIX C
OWNERSHIP INTERESTS
MANAGEMENT PERSONNEL

Category	Print Name of Individual(s)
Continuity Group	
Operating Principal	
Store Managers	

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Date _____

APPENDIX D

ELECTRONIC FUNDS TRANSFER ("EFT")
AUTHORIZATION AGREEMENT

(DIRECT DEBITS)

Name of Person or Legal Entity: Enter Name here

Unit ID Number: ZIPS###

Account Name: Enter Name here

Address: Enter Street Address here

City: Enter City here State: Enter State here Zip code: 00000

The undersigned depositor ("Depositor") hereby authorizes ZIPS Franchising, LLC and its affiliates ("ZIPS") to initiate debit entries and/or credit correction entries to Depositor's checking and/or savings account(s) indicated below and the depository designated below ("Depository") and to debit such account pursuant to ZIPS' instructions for any and all amounts due to ZIPS or its affiliates. The Depositor understands that all amounts debited from the account below will be credited to ZIPS' account. IN LIEU OF COMPLETING THE INFORMATION REQUIRED ON THE FOLLOWING FOUR LINES, DEPOSITOR MAY ATTACH A CANCELLED OR VOIDED CHECK HERETO.

Depository: Enter Name here

Branch: Enter Branch Location here

Address: Enter Street Address here

City: Enter City here State: Enter State here Zip code: 00000

Bank Telephone Number: 000-000-0000 Bank Contact Person: Enter Name here

Bank Transit / ABA Number: 000000000 Account Number: 000000000000

This authority is to remain in full force and effect until Depository has received joint written notification from ZIPS and Depositor of Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide ZIPS and Depositor with 30 days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor: _____

By: _____

Title: _____

Date: _____

APPENDIX E
FORM OF LEASE ADDENDUM

RIDER 1
OPENING DATE & FRANCHISE EXPIRATION DATE

TO: _____

The Franchised Business located at _____ first opened for business on _____. The Initial Term of the Franchise Agreement for the Franchised Business expires on _____. If Franchisee desire to remain a franchisee for the first Renewal Term, Franchisee must give ZIPS your Renewal Notice no earlier than _____ (__ months before the expiration date of the Initial Term) and no later than _____ (__ months before the expiration date of the Initial Term).

ZIPS FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT E
CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

EXHIBIT E - 1
CONFIDENTIALITY AND NONCOMPETITION AGREEMENT
(SHORT FORM)

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made as of _____ ("Effective Date") by the undersigned ("Covenantor") in favor of and for the benefit of ZIPS® Franchising, LLC ("ZIPS"). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Covenantor agrees as follows:

1. Statement of Purpose. This Agreement is being executed in connection with discussions and other exchanges of information between ZIPS and Covenantor for certain business purposes. This Agreement is intended to allow Covenantor and ZIPS to have open discussions while affording protection against unauthorized disclosure or use of Confidential Information (as defined below).

2. Confidential Information. Covenantor will have access to non-public information that ZIPS considers to be of a confidential, proprietary, or trade secret nature ("Confidential Information"). "Confidential Information" means all information that has been created, discovered or developed by ZIPS and/or its affiliates and that is in any way proprietary to ZIPS and/or its affiliates. Confidential Information does not include: **(A)** information that is now or hereafter becomes publicly known through no fault of Covenantor, or by any other person, firm or corporation affiliated with Covenantor; **(B)** information that was in Covenantor's possession before the Effective Date; or **(C)** information that comes into Covenantor's possession after the Effective Date from a source not under an obligation of secrecy to ZIPS and/or its affiliates. Covenantor shall be permitted to disclose Confidential Information if required to do so pursuant to a duly authorized subpoena, court order, or government request, provided that Covenantor provides prompt written notice to ZIPS prior to such disclosure, so that ZIPS may seek a protective order or other appropriate remedy. This Agreement shall apply to all Confidential Information disclosed to Covenantor by ZIPS and/or its affiliates prior to and after the date of this Agreement.

3. Limited Use and No Disclosure. Covenantor shall protect the Confidential Information in a manner consistent with the maintenance of ZIPS' rights in the Confidential Information, using at least as great a degree of care as Covenantor uses to maintain the confidentiality of its own confidential information (or such greater degree of care required by ZIPS). Covenantor shall not sell, transfer, publish, disclose, or otherwise use the Confidential Information except as expressly authorized by this Agreement or otherwise by ZIPS in writing. Covenantor shall not disclose the Confidential Information to any third party unless that third party's skills are need to carry out the purposes and, if any Confidential Information is disclosed, Covenantor shall be responsible for any breach of these confidentiality obligations by that third party. Covenantor shall immediately notify ZIPS of any information that comes to its attention that indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a breach of this Agreement.

4. Return of Confidential Information. Covenantor agrees that all Confidential Information is and at all times shall be the exclusive property of ZIPS. If the relationship between ZIPS and Covenantor ends for any reason, or if ZIPS requests, at any time and for any reason, that Covenantor do so, Covenantor agrees to: **(A)** immediately cease to use the Confidential Information; and **(B)** immediately return to ZIPS the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same.

5. Indemnification. Covenantor shall indemnify, defend (with counsel reasonably acceptable to ZIPS), and hold harmless (to the fullest extent permitted by law) ZIPS and its parent, affiliates, and subsidiaries and their respective successors, assigns, past and present stockholders, directors, officers, employees, agents and representatives (collectively, "Indemnitees") from and against all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or informal), judgment or appeal thereof by or against Indemnitees or any settlement thereof (whether or not a formal proceeding or action had been instituted), arising out of or resulting from or connected with Covenantor's activities under this Agreement.

6. Miscellaneous. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles. Any breach of this Agreement will cause irreparable injury to ZIPS and ZIPS may obtain injunctive and other equitable relief against such breach. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court. This Agreement is the entire agreement of the parties and supersedes any prior agreements between them, whether written or oral, with respect to the subject matter hereof. Captions and paragraph headings are for convenience only. ZIPS' rights under this Agreement shall be assignable, and its duties may be delegated. Neither this Agreement nor any right hereunder or interest herein may be assigned or transferred by Covenantor without the express written consent of ZIPS.

IN WITNESS WHEREOF, Covenantor has duly executed, sealed and delivered this Agreement as of the dates set forth below.

COVENANTOR:

By: _____
Print Name: _____
Title: _____
Date: _____

_____, individually
Print Name: _____
Date: _____

EXHIBIT E - 2
CONFIDENTIALITY AGREEMENT
FOR PROSPECTIVE FRANCHISEES (LONG FORM)

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made as of _____ ("Effective Date") by the undersigned ("Covenantor") in favor of and for the benefit of ZIPS® Franchising, LLC ("ZIPS"). If Covenantor is a business entity, all references to Covenantor shall include all directors, officers, shareholders or other security holders, partners, members, trustees, agents, lenders, advisors, subsidiaries, other foreign and domestic affiliates and/or related entities of Covenantor.

RECITALS

ZIPS is the franchisor of a unique and distinctive proprietary system ("System") relating to the development, establishment and operation of dry cleaning and laundry services businesses ("ZIPS® Dry Cleaners Businesses").

ZIPS has been exploring the possibility of granting a franchise to a franchise applicant ("Applicant") for the operation of one or more ZIPS Dry Cleaners Businesses.

In order for Applicant, its owners ("Owners") and/or its employees ("Employees") to evaluate the possibility of entering into a franchise agreement with ZIPS to establish and operate one or more ZIPS Dry Cleaners Businesses, Applicant, Owners and/or Employees desire to receive from ZIPS certain confidential business information, including, but not limited to, the information contained in the ZIPS Dry Cleaners Operations Manual and certain other manuals provided by ZIPS ("Manuals").

Each Covenantor, who is either the Applicant or an Owner or Employee of the Applicant, recognizes the importance of maintaining the confidentiality of all information relating to the System.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Covenantor agrees as follows:

1. Confidential Information

A. Definition of Confidential Information. As used in this Agreement, the term "Confidential Information" means all information that has been created, discovered or developed by ZIPS and/or its affiliates and that is in any way proprietary to ZIPS and/or its affiliates. Confidential Information includes, but is not limited to, trade-secrets, know-how, methodologies, System information, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans, pricing techniques, customer lists and other information regarding customer relationships, financial information and projections, artwork, information regarding the manner and methods of locating a site for, developing, operating and promoting a ZIPS Dry Cleaners Business, information contained in the Manual, information regarding the operations of ZIPS and its affiliates and all information that: **(1)** derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and **(2)** is the product of ZIPS' and/or its affiliates' efforts such that it is reasonable under the circumstances to maintain its secrecy. Confidential Information may be in written form or communicated orally.

B. Exclusions from Definition of Confidential Information. The term "Confidential Information" does not include information that is now or hereafter becomes publicly known through

no fault of Covenantor, or by any other person, firm or corporation affiliated with Covenantor. As used in this Agreement, the phrase "publicly known" means readily accessible to the public in a written publication and shall not include information that is available only by a substantial searching of the published literature and information the substance of which must be pieced together from a number of different publications and sources. The burden of proving that information is not Confidential Information shall be on the party asserting such exclusion. Covenantor shall be permitted to disclose Confidential Information if required to do so pursuant to a duly authorized subpoena, court order, or government request, provided that Covenantor provides prompt written notice to ZIPS prior to such disclosure, so that ZIPS may seek a protective order or other appropriate remedy.

C. Treatment of Confidential Information. Covenantor hereby acknowledges, understands and agrees that the Confidential Information: **(1)** is the exclusive and confidential property of ZIPS and/or its affiliates and incorporates trade secrets, copyrights and other proprietary information owned by them; **(2)** gives ZIPS and/or its affiliates some competitive business advantage or the opportunity of obtaining such an advantage such that its disclosure could be detrimental to the interests of ZIPS and/or its affiliates; and **(3)** is not generally known by persons other than ZIPS' and/or its affiliates' personnel. Covenantor shall at all times treat the Confidential Information in accordance with this Agreement. The Confidential Information, and all copies thereof, shall remain the property of ZIPS.

2. Covenants

As a consequence of Covenantor's acquisition or anticipated acquisition of Confidential Information, Covenantor will occupy a position of trust and confidence with respect to ZIPS' and its affiliates affairs and business. In view of the foregoing, Covenantor agrees that it is reasonable and necessary that Covenantor agree, while this Agreement is in effect, to the following:

A. Limited Use. Covenantor shall use the Confidential Information solely for the purpose of evaluating whether or not Applicant will invest in a ZIPS Dry Cleaners Business franchise. Covenantor shall not make any other uses of the Confidential Information. No license, express or implied, in the Confidential Information is granted to Covenantor other than to use the Confidential Information in the manner contemplated by this Agreement and to the extent authorized by this Agreement. If Applicant does not invest in a ZIPS Dry Cleaners Business franchise, the obligations set forth in this Agreement will remain in effect for a period of 36 months from the date Applicant elects not to pursue such a franchise relationship. If Covenantor opens and operates a business within 36 months after the date Applicant elects not to pursue a franchise relationship with ZIPS, and the method of operation or trade dress of that business is similar to that of a ZIPS Dry Cleaners Business or the System, a violation of this Agreement will be presumed.

B. No Disclosure. Covenantor shall not disclose the Confidential Information to any person or entity other than Covenantor's attorney or accountant as necessary to evaluate the franchise opportunity offered by ZIPS and agrees to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Covenantor uses to protect his/her/its confidential information.

C. No Use, Release, Copying or Transfer. Covenantor shall not use, release, copy or transfer Confidential Information in any way and shall protect the Confidential Information against unauthorized use, release, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Covenantor uses to protect his/her/its confidential

information. This prohibition against use, release, copying, or transfer of Confidential Information includes, but is not limited to, selling, licensing or otherwise exploiting, directly or indirectly, any products or services that embody or are derived from Confidential Information. Covenantor further agrees not to remove, overprint, or deface any notice of copyright, trademark, logo or other notices of ownership from any Confidential Information.

D. Employee Solicitation. Covenantor agrees that neither it nor any of its agents, employees or representatives shall knowingly employ or seek to employ any present or former franchisee of ZIPS or any person then employed, or previously employed, by ZIPS or any affiliate, subsidiary or franchisee of ZIPS, or otherwise directly or indirectly induce such person to leave his or her employment, without ZIPS' prior written consent.

E. Applicability. These covenants shall apply to all Confidential Information disclosed to Covenantor by ZIPS and/or its affiliates prior to and after the date of this Agreement.

F. No Representations or Warranties. Covenantor understands that ZIPS has endeavored to include in the Confidential Information all information known to ZIPS that it believes to be relevant for Applicant's purposes. Covenantor further understands that ZIPS does not make any representation or warranty as to the accuracy or completeness of the Confidential Information. Covenantor agrees that neither ZIPS nor its affiliates shall have any liability to Covenantor or any other person resulting from the use of the Confidential Information.

3. ZIPS' Rights. Nothing in this Agreement obligates Applicant or ZIPS to enter into a franchise agreement for the operation of a ZIPS Dry Cleaners Business. ZIPS shall decide, in its sole discretion, whether to consider Applicant for any franchise opportunity, as well as the location and type of franchise opportunity to be offered, if any, and the terms of any contracts. Applicant acknowledges that ZIPS may, in its sole discretion: **(A)** negotiate with third parties regarding the sale of ZIPS Dry Cleaners Business franchises at any location; **(B)** decline to make, retract or reject, at any time, any proposal by Applicant or ZIPS that has not become legally binding; **(C)** conduct the process that may or may not result in the consummation of the sale of a ZIPS Dry Cleaners Business franchise to Applicant in any manner that ZIPS may determine; and **(D)** terminate all further discussions and negotiations with Applicant regarding the sale of a ZIPS Dry Cleaners Business franchise.

4. Return of Confidential Information. If, at any time, ZIPS rejects Applicant as a ZIPS Dry Cleaners Business franchisee, or Applicant determines that it does not wish to invest in a ZIPS Dry Cleaners Business franchise, or if ZIPS requests, at any time and for any reason, that Covenantor do so, Covenantor agrees to: **(A)** immediately cease to use the Confidential Information; **(B)** immediately return to ZIPS the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and **(C)** at ZIPS' request, certify in writing that Covenantor and all others to whom Covenantor has provided such Confidential Information, have complied with subsections (A) and (B) above.

5. Notice to ZIPS. Covenantor shall immediately notify ZIPS of any information that comes to its attention that indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a breach of this Agreement.

6. Waiver. Covenantor acknowledges that no waiver by ZIPS and/or its affiliates of any breach by Covenantor of any provision of this Agreement shall be deemed a waiver of any

preceding or succeeding breach of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.

7. Enforcement

A. Governing Law. This Agreement and any claim or controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles.

B. Forum. To the extent that any disputes cannot be resolved directly among Covenantor, ZIPS and its affiliates, Covenantor agrees to file suit against ZIPS and its affiliates only in the federal or state court having jurisdiction where ZIPS' principal offices are located at the time suit is filed. Covenantor acknowledges that ZIPS and its affiliates may file suit in the federal or state court located in the jurisdiction where ZIPS' principal offices are located at the time suit is filed, where Covenantor resides or does business or where the claim arose. Covenantor consents to the personal jurisdiction of those courts and venue in those courts.

C. Injunctive Relief. It is hereby understood and agreed that: **(1)** a breach of this Agreement by Covenantor would result in irreparable harm to ZIPS and/or its affiliates, the extent of which would be difficult to ascertain; **(2)** monetary damages would be an inadequate remedy for such a breach; and **(3)** ZIPS and/or its affiliates shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security and without waiving any additional rights or remedies otherwise available to ZIPS and its affiliates at law or in equity or by statute.

D. Reimbursement Of Costs And Expenses. If ZIPS brings an action to enforce this Agreement in a judicial proceeding and prevails in that proceeding, ZIPS will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

E. Third Party Beneficiary. Covenantor hereby acknowledges and agrees that ZIPS is an intended third-party beneficiary of this Agreement with the right to enforce it.

8. Miscellaneous.

A. Severability. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.

B. Headings. Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

C. Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

D. Survival. If Applicant enters into a development or franchise agreement with ZIPS, notwithstanding any provision to the contrary contained in such agreement including any

merger or integration clause, Covenantor shall comply with the terms of this Agreement during the term of the rights granted in the relevant agreement.

IN WITNESS WHEREOF, Covenantor has duly executed, sealed and delivered this Agreement as of the dates set forth below.

[IF COVENANTOR IS A BUSINESS ENTITY]
COVENANTOR:

By: _____
Print Name: _____
Title: _____
Date: _____

[IF COVENANTOR IS AN INDIVIDUAL]
COVENANTOR:

_____
[Signature]
Print Name: _____
Date: _____

EXHIBIT E - 3
CONFIDENTIALITY AND NONCOMPETITION AGREEMENT
FOR EMPLOYEE, OWNER, DIRECTOR, OFFICER, OR AGENT OF FRANCHISEE

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

THIS AGREEMENT is made as of _____ ("Effective Date") by the undersigned ("Covenantor") in favor of and for the benefit of ZIPS® Franchising, LLC ("ZIPS").

RECITALS

ZIPS is the franchisor of a unique and distinctive proprietary system ("System") relating to the development, establishment and operation of dry cleaning and laundry services businesses ("ZIPS® Dry Cleaners Businesses").

Pursuant to the terms of a Development Agreement or Franchise Agreement, ZIPS has granted _____ ("Franchisee") the right to establish and operate at least one ZIPS Dry Cleaners Business ("Franchised Business").

Covenantor is an employee, owner, director, officer or agent of Franchisee who, in connection with Franchisee's development or operation of the Franchised Business, may have access to certain confidential and proprietary information relating to the System and the development and operation of ZIPS Dry Cleaners Businesses.

Covenantor recognizes the importance of maintaining the confidentiality of all information relating to the System.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Covenantor agrees as follows:

1. Confidential Information

A. Definition of Confidential Information. As used in this Agreement, the term "Confidential Information" means all information that has been created, discovered or developed by ZIPS and/or its affiliates and that is in any way proprietary to ZIPS and/or its affiliates. Confidential Information includes, but is not limited to, trade-secrets, know-how, methodologies, System information, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans, pricing techniques, customer lists and other information regarding customer relationships, financial information and projections, artwork, information regarding the manner and methods of locating a site for, developing, operating and promoting a ZIPS Dry Cleaners Business, information contained in the Manual, information regarding the operations of ZIPS and its affiliates and all information that: **(1)** derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and **(2)** is the product of ZIPS' and/or its affiliates' efforts such that it is reasonable under the circumstances to maintain its secrecy. Confidential Information may be in written form or communicated orally.

B. Exclusions from Definition of Confidential Information. The term "Confidential Information" does not include information that is now or hereafter becomes publicly known through no fault of Covenantor, or by any other person, firm or corporation affiliated with Covenantor. As used in this Agreement, the phrase "publicly known" means readily accessible to the public in a written publication and shall not include information that is available only by a substantial searching of the published literature and information the substance of which must be pieced

together from a number of different publications and sources. The burden of proving that information is not Confidential Information shall be on the party asserting such exclusion.

C. Treatment of Confidential Information. Covenantor hereby acknowledges, understands and agrees that the Confidential Information: **(1)** is the exclusive and confidential property of ZIPS and/or its affiliates and incorporates trade secrets, copyrights and other proprietary information owned by them; **(2)** gives ZIPS and/or its affiliates some competitive business advantage or the opportunity of obtaining such an advantage such that its disclosure could be detrimental to the interests of ZIPS and/or its affiliates; and **(3)** is not generally known by persons other than ZIPS' and/or its affiliates' personnel. Covenantor shall at all times treat the Confidential Information in accordance with this Agreement. The Confidential Information, and all copies thereof, shall remain the property of ZIPS.

2. Covenants

As a consequence of Covenantor's acquisition or anticipated acquisition of Confidential Information, Covenantor will occupy a position of trust and confidence with respect to ZIPS' and its affiliates affairs and business. In view of the foregoing, Covenantor agrees that it is reasonable and necessary that Covenantor agree, while this Agreement is in effect, to the following:

A. Limited Use. Covenantor shall use the Confidential Information solely for the purpose of assisting Franchisee with the development and/or operation of the Franchised Business. Covenantor shall not make any other uses of the Confidential Information. No license, express or implied, in the Confidential Information is granted to Covenantor other than to use the Confidential Information in the manner contemplated by this Agreement and to the extent authorized by this Agreement. If the Development Agreement or Franchise Agreement is terminated or expires, the obligations set forth in this Agreement will remain in effect for a period of 36 months from the effective date of that termination or expiration. If Covenantor opens and operates a business within that 36-month period and the method of operation or trade dress of that business is similar to that of a ZIPS Dry Cleaners Business or the System, a violation of this Agreement will be presumed.

B. No Disclosure. Covenantor shall not disclose the Confidential Information to any person or entity, except as necessary to carry out Covenantor's obligations in connection with the development and operation of the Franchised Business. Covenantor agrees to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Covenantor uses to protect his/her/its confidential information.

C. No Use, Release, Copying or Transfer. Covenantor shall not use, release, copy or transfer Confidential Information in any way and shall protect the Confidential Information against unauthorized use, release, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Covenantor uses to protect his/her/its confidential information. This prohibition against use, release, copying, or transfer of Confidential Information includes, but is not limited to, selling, licensing or otherwise exploiting, directly or indirectly, any products or services that embody or are derived from Confidential Information. Covenantor further agrees not to remove, overprint, or deface any notice of copyright, trademark, logo or other notices of ownership from any Confidential Information.

D. Employee Solicitation. Covenantor agrees that neither it nor any of its agents, employees or representatives shall knowingly employ or seek to employ any present or former

franchisee of ZIPS or any person then employed, or previously employed, by ZIPS or any affiliate, subsidiary or franchisee of ZIPS, or otherwise directly or indirectly induce such person to leave his or her employment, without ZIPS' prior written consent.

E. Applicability. These covenants shall apply to all Confidential Information disclosed to Covenantor by ZIPS and/or its affiliates prior to and after the date of this Agreement.

F. No Representations or Warranties. Covenantor understands that ZIPS has endeavored to include in the Confidential Information all information known to ZIPS that it believes to be relevant for Franchisee's and Covenantor's purposes. Covenantor further understands that ZIPS does not make any representation or warranty as to the accuracy or completeness of the Confidential Information. Covenantor agrees that neither ZIPS nor its affiliates shall have any liability to Covenantor or any other person resulting from the use of the Confidential Information.

G. Non-Compete.

(1) Covenantor covenants and agrees that during the term of Covenantor's employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by ZIPS, Covenantor shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System 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 ZIPS' Proprietary Marks and the System.

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(2) Covenantor covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by ZIPS, Covenantor shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a twenty-five (25) mile radius of: (i) the border of any development territory under any development agreement with ZIPS, (ii) any site accepted by ZIPS for a Franchised Business, or (iii) of any then-existing ZIPS Dry Cleaners Business including the Franchised Business.

(3) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under the Franchise Agreement with respect to Covenantor; and/or (b) termination of Covenantor's employment with, and/or ownership interest in, Franchisee.

3. Return of Confidential Information. If, at any time, the Development Agreement or Franchise Agreement expires or is terminated, or if ZIPS requests, at any time and for any reason, that Covenantor do so, Covenantor agrees to: **(A)** immediately cease to use the Confidential Information; **(B)** immediately return to ZIPS the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was

made to do the same; and **(C)** at ZIPS' request, certify in writing that Covenantor and all others to whom Covenantor has provided such Confidential Information, have complied with subsections (A) and (B) above.

4. Notice to ZIPS. Covenantor shall immediately notify ZIPS of any information that comes to its attention that indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a breach of this Agreement.

5. Waiver. Covenantor acknowledges that no waiver by ZIPS and/or its affiliates of any breach by Covenantor of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.

6. Enforcement

A. Governing Law. This Agreement and any claim or controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles.

B. Forum. To the extent that any disputes cannot be resolved directly among Covenantor, ZIPS and its affiliates, Covenantor agrees to file suit against ZIPS and its affiliates only in the federal or state court having jurisdiction where ZIPS' principal offices are located at the time suit is filed. Covenantor acknowledges that ZIPS and its affiliates may file suit in the federal or state court located in the jurisdiction where ZIPS' principal offices are located at the time suit is filed, where Covenantor resides or does business, where the Franchised Business will be, is or was located, or where the claim arose. Covenantor consents to the personal jurisdiction of those courts and venue in those courts.

C. Injunctive Relief. It is hereby understood and agreed that: **(1)** a breach of this Agreement by Covenantor would result in irreparable harm to ZIPS and/or its affiliates, the extent of which would be difficult to ascertain; **(2)** monetary damages would be an inadequate remedy for such a breach; and **(3)** ZIPS and/or its affiliates shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security and without waiving any additional rights or remedies otherwise available to ZIPS and its affiliates at law or in equity or by statute.

D. Reimbursement Of Costs And Expenses. If ZIPS brings an action to enforce this Agreement in a judicial proceeding and prevails in that proceeding, ZIPS will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

E. Third Party Beneficiary. Covenantor hereby acknowledges and agrees that ZIPS is an intended third-party beneficiary of this Agreement with the right to enforce it.

7. Miscellaneous.

A. Severability. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.

B. Headings. Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

C. Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

IN WITNESS WHEREOF, Covenantor has duly executed, sealed and delivered this Agreement as of the dates set forth below.

COVENANTOR:

_____
[Signature]
Print Name: _____
Date: _____

EXHIBIT F
COMPLIANCE QUESTIONNAIRE

QUESTIONNAIRE TO BE COMPLETED BEFORE
YOU SIGN AN AGREEMENT WITH ZIPS FRANCHISING, LLC

You are preparing to enter into a Development Agreement or Franchise Agreement with ZIPS Franchising, LLC ("we," "us," or "ZIPS"). The purpose of this Questionnaire is to confirm that you understand the terms of the Agreement and that no unauthorized statements or promises have been made to you. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Which of our representative(s) have you been dealing with?

   Name(s): ____ Drew Ritger ____ Sam Wong

   ____ Sarah Moudry ____ Other: _____

2. Which Agreement/Agreements are you signing?

   Development Agreement: _____ Franchise Agreement: _____

   The agreements that you are signing will be referred to collectively in this Questionnaire as the "Agreements" and individually as the "Agreement."

3. In which state do you reside? _____

4. If you have formed an entity to sign the Agreement, please identify:

   The state where the entity was formed/organized: _____

   The state where the entity maintains its principal place of business: _____

5. In which state do you intend to operate the ZIPS DRY CLEANERS franchise? _____

6. Have any of our representatives recommended that you have the FDD and the Agreements (including any addenda to the Agreements and all attachments to the Agreements) reviewed by an attorney or other professional advisor?

   Yes _____ No _____

7. Have you, in fact, discussed the FDD, the Agreements (including any addenda to the Agreements and all attachments to the Agreements) and the benefits and risks of operating a ZIPS DRY CLEANERS franchise with an attorney, accountant, or other professional advisor?

   Yes _____ No _____

   If yes, name and profession of advisor: _____

   If no, do you wish to have more time to do so?

   Yes _____ No _____

8. Except as set forth in Item 19 of the FDD, has any employee or other person speaking on behalf of us made any statement or promise to you (or, to the best of your knowledge, information and belief, to any person or entity or your behalf) concerning:

   A. The actual or possible revenues, profits or operating costs of a ZIPS DRY CLEANERS Business operated by ZIPS, its officers, its parent, its affiliates or its franchisees?

      Yes _____ No _____

B. The amount of money you may earn in operating a franchised ZIPS DRY CLEANERS Business?

Yes _____ No _____

C. The total amount of revenue a franchised ZIPS DRY CLEANERS Business will or may generate?

Yes _____ No _____

D. The costs you may incur in operating a franchised ZIPS DRY CLEANERS Business?

Yes _____ No _____

E. The likelihood of success that you should or might expect to achieve from operating a franchised ZIPS DRY CLEANERS Business?

Yes _____ No _____

9. If your answer to any part of Question 8 is "yes," please describe the statement or representation. Please include when, where, and by whom the statement or representation was made. Please provide full details in the following space. (Attach additional pages, if necessary.)

10. Please think about any statements or promises made to you by our employees (or by any other person purporting to speak on our behalf) concerning: revenues, profits, or operating costs; the amount of money you can earn; or your likelihood of success. Were any such statements or promises contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

11. If you answered "yes" to Question 10, please provide full details in the following space including a description of the statement or promise and when, where, and by whom the statement or promise was made. (Attach additional pages, if necessary.)

12. Please think about the statements or promises made to you by our employees (or by any other person purporting to speak on our behalf) concerning the advertising, marketing, training, support, or assistance that we will furnish to you. Were any such statements or promises contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

13. If you answered "yes" to Question 12, please provide full details in the following space including a description of the statement or promise and when, where, and by whom the statement or promise was made. (Attach additional pages, if necessary.)

14. Have you paid any money to us before today in connection with our ZIPS DRY CLEANERS franchise opportunity?

Yes _____ No _____ If Yes, please describe: _____

15. In entering into the Agreements, are you relying on any statement, promise, or assurances by us or anyone speaking or purporting to speak on our behalf, other than the terms of the Agreement itself?

Yes _____ No _____

16. If you answered "Yes" to question 15, please provide full details in the following space including a description of the statement, promise or assurance and when, where, and by whom the statement, promise or assurance was made. (Attach additional pages, if necessary.)

17. Do you understand that the success or failure of your ZIPS DRY CLEANERS franchise will depend in large part upon your own skills and abilities, competition from other businesses, the size of your market, and other economic and business factors?

Yes _____ No _____

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

Name: _____

Print Name: _____

Date: _____

EXHIBIT G
ZIPSSOFT SOFTWARE LICENSE AGREEMENT

ZIPSSOFT SOFTWARE LICENSE AGREEMENT

Effective Date _____

Licensee Name _____

Address _____

_____

ZIPSsoft, LLC
"Licensor" ZIPSsoft, LLC
7474 Greenway Center Drive, Suite 1200
Greenbelt, Maryland 20770

1. Grant of License

1.1 Licensor, an affiliate of ZIPS Franchising, LLC, hereby grants to Licensee, a ZIPS Dry Cleaners® franchisee, a nonexclusive, nontransferable, single-site license to use an executable copy of its proprietary dry-cleaning business operations software (the "Software") upon the terms and conditions set forth herein. Licensor authorizes Licensee to install the Software's machine-readable object code on Licensee's computer system. Licensee may use the Software solely at its dry-cleaning store, a ZIPS Dry Cleaners® Franchised Business, located at the address set forth at the beginning of this Agreement (the "Site") in the regular course of Licensee's business for its ZIPS Dry Cleaners® Franchised Business. Licensor shall deliver to Licensee the Software, in object code form, including the applicable user documentation. Unless the context indicates otherwise, all references to the Software herein shall be deemed to refer to and include the applicable user documentation.

1.2 Licensee shall not use the Software for the benefit of any third party, including providing timesharing or programming services or products to any third party. Licensee may not copy or otherwise distribute copies of the Software or related documentation to third parties. Licensee will have no right under this Agreement, whether or not Licensor is in breach of this Agreement, to receive the source code for the Software.

2. Term; Termination

2.1 This Agreement shall commence on the date of installation of the Software at the Site and shall terminate upon (i) Licensee's failure to timely pay the License Fee or (ii) Licensee's cessation as a franchisee of the affiliate, ZIPS Franchising, LLC for any reason. This Agreement shall terminate upon the occurrence of either (i) or (ii) in the prior sentence.

2.2 Upon termination of this Agreement, Licensee shall promptly return to Licensor or destroy (at Licensor's election) all copies of any Software and documentation related thereto, warrant in writing that all copies and partial copies have been returned to Licensor or destroyed as aforesaid, and immediately discontinue all use of the Software. The provisions of this Agreement relating to title and nondisclosure as set forth in Section 4 shall survive any termination of this Agreement.

3. Fees and Payment

3.1 In consideration of the license granted hereunder, Licensee shall pay to Licensor a one-time Software License Fee of $7,500. This fee is due with the remainder of the Initial Franchise Fee.

3.2 In consideration of the license granted hereunder, Licensee shall pay to Licensor a quarterly fee of $300.00 (the "License Fee") for use of the Software. Licensor may, in its sole discretion, raise the License Fee annually by providing written notice to Licensee at least thirty (30) days prior to the end of the then current annual period (calculated from the Effective Date).

4. Title; Nondisclosure

4.1 Licensee acknowledges and agrees that the Software is proprietary to Licensor and that it contains copyrighted material, trade secrets and other proprietary material of Licensor. Licensee shall not cause or permit any person, including, but not limited to, employees of Licensee, to decompile, reverse engineer, disassemble, attempt to disassemble or otherwise reduce the Software to a human-perceivable form. Licensee may not modify, network, rent, lease, loan, sell, sub-license, distribute, disclose, give away or otherwise transfer the Software, any portion thereof, or any copy thereof to any other person or entity, nor shall Licensee create derivative works based upon the Software. Licensee shall not make or permit to be made any copies of the Software object code, Software generated database(s) or the Software documentation. Additional terms and conditions applicable to the Software may be packaged with the Software or any enhancements thereto provided from time-to-time. By using the Software, Licensee agrees to be bound by the terms and conditions set forth herein, and any additional terms and conditions accompanying any Software provided by Licensor. Licensee agrees to promptly return the Software to Licensor in the event Licensee is not in agreement with such terms and conditions. From time to time, Licensor may, in its sole discretion, enhance the Software and make such enhancements available to Licensee at no additional charge. Licensee acknowledges that the Software contains valuable trade secrets of Licensor. Licensee shall safeguard any and all copies of the Software against unauthorized disclosure, shall not tamper with, bypass, or alter any security feature thereof, or attempt to do so, and shall take all reasonable steps to ensure that the provisions of this Agreement are not violated by any person under Licensee's control or in Licensee's service. All obligations of confidentiality shall survive the termination of this License. Title to and ownership of the Software and all copies, partial copies and any and all revisions and modifications thereto, shall remain with Licensor. All rights to patents, copyrights, trademarks and trade secrets in the Software or any modifications shall remain with Licensor.

4.2 Breach of any provision of this Section 4 shall be the basis for immediate termination by Licensor of this Agreement and the license granted herein.

5. No Warranty

EXCEPT FOR EXPRESS WARRANTIES STATED IN THIS AGREEMENT, IF ANY, THE SOFTWARE IS PROVIDED WITH ALL FAULTS, AND THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY, AND EFFORT IS WITH THE LICENSEE. THERE IS NO WARRANTY AGAINST INTERFERENCE WITH THE LICENSEE'S ENJOYMENT OF THE SOFTWARE OR AGAINST INFRINGEMENT.

6. Limitation of Liability

LICENSOR SHALL HAVE NO LIABILITY WHATSOEVER FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR EXEMPLARY DAMAGES UNDER ANY CIRCUMSTANCES, WHETHER BASED ON TORT OR BREACH OF CONTRACT CLAIMS OR ON ANY OTHER BASIS, EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL LICENSOR'S TOTAL LIABILITY EXCEED THE INITIAL LICENSE FEE PAID BY LICENSEE TO LICENSOR.

7. Support Services

Licensee acknowledges that Licensor is not currently capable of providing maintenance or support for the Software. Therefore, if Licensee requires any maintenance or support, Licensee must notify Licensor at the time of each occurrence and Licensor will provide Licensee with the name of an approved vendor of the required services per each request. Licensee shall contract directly with the approved vendor and shall be solely responsible for the costs associated with the services provided by the approved vendor to the Licensee.

8. General

8.1 This Agreement constitutes the complete understanding between the parties and supersedes any other agreements and arrangements relating to the subject matter of this Agreement. No amendment to this Agreement shall be effective unless in writing and signed by the parties hereto.

8.2 The headings used hereunder are for convenience only and the parties agree that such headings are not to be construed to be part of this Agreement or to be used in determining the meaning or interpretation of this Agreement.

8.3 Any provision of this Agreement found by a court of law to be void or unenforceable shall not affect the validity or enforceability of any other provision of this Agreement, and all provisions of this Agreement shall be enforced to the fullest extent permitted by law. This Agreement may not be amended or changed, except by a writing signed by both parties. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, will be deemed to be, or construed as, a further continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement. The waiver of any right or election of any remedy in one instance shall not affect any rights or remedies in another instance.

8.4 All required notices under this Agreement shall be sent to the recipient party's address stated in this Agreement, unless otherwise changed in writing by the respective party. All notices shall be given by hand delivery, certified or registered mail, or overnight carrier. Such notices shall be deemed given on the date of receipt (or refusal) of delivery of said notice.

8.5 Licensee shall not transfer, assign or sublicense its rights or obligations under this Agreement to any other party, in whole or in part, without the prior written consent of Licensor. Any such prohibited assignment shall be void. Licensor shall have the right, at Licensor's election, to assign this Agreement and its rights hereunder, in whole or in part, to any subsidiary, affiliate or related company.

8.6 This Agreement shall be governed by, and construed in accordance with, the laws of the State of Maryland.

LICENSOR:	**LICENSEE:**
ZIPSSOFT, LLC	_____
By:_____	By:_____
Print Name: _____	Print Name:_____
Title: _____	Title:_____
Date: _____	Date:_____

EXHIBIT H
ZIPSSOFT SOFTWARE SERVICE AGREEMENT

ZIPSSOFT SOFTWARE SERVICE AGREEMENT

This Software Service Agreement ("Agreement") is made as of _____, ("Effective Date") by and between _____ ("Franchisee"), and ZIPSsoft, LLC ("ZIPSsoft").

Recitals:

A. Franchisee owns and operates a ZIPS Dry Cleaners business and is a franchisee of ZIPS Franchising, LLC (“ZIPS”).

B. ZIPSsoft services and maintains a proprietary software system owned by ZIPS.

In consideration of the mutual promises contained herein, the parties agree as follows:

1. MAINTENANCE AND SUPPORT SERVICES.

(a) ZIPSsoft agrees to perform the maintenance and support services as described in this Agreement.

(b) For the software maintenance and support services described in Section 1(a), Franchisee shall pay ZIPSsoft a monthly service fee ("Maintenance and Support Fee") of Three Hundred Dollars ($300) per location. Such Maintenance and Support Fee may be increased by ZIPSsoft upon ninety (90) days prior written notice to Franchisee.

(c) Any Maintenance and Support Fee that is not timely paid to ZIPSsoft shall be subject to an interest charge not to exceed 10% per annum on the amount due from the due date until the date actually paid.

(d) ZIPSsoft must provide maintenance and support services for the software during the term of this Agreement commencing on the day after ZIPSsoft completes and delivers the software. This term shall continue, unless this Agreement is terminated as provided herein.

(e) In connection with providing these maintenance and support services, Franchisee shall reimburse ZIPSsoft for reasonable and necessary out-of-pocket costs and expenses which may include travel expenses, photocopying at 25¢ per page, overnight courier of up to $28, or unusual long distance calls; provided that any costs and expenses that exceed $100 must be pre-approved by Franchisee. ZIPSsoft shall have no obligation to perform, or liability for non-performance of, any services hereunder which relate to any expenses subject to a refusal by Franchisee to reimburse such expenses.

(f) While ZIPSsoft is providing the maintenance and support services under this Section, ZIPS may terminate this Agreement at any time without cause by giving ZIPSsoft ninety (90) days' written notice. ZIPS or ZIPSsoft may terminate this Agreement with cause upon material breach by providing written notice and thirty (30) days opportunity to cure to the breaching party, except for breach by Franchisee relating to non-payment of sums due under this Agreement, which Franchisee shall have fifteen (15) days opportunity to cure upon receipt of written notice.

2. ENFORCEMENT.

(a) This Agreement and any claim arising from the parties' relationship shall be governed by the laws of the forum state as determined below (without regard to conflict of law rules). The exclusive forum for any action to enforce the terms of this Agreement or arising from the parties' relationship shall be the state or federal courts located in the State of Maryland. The Parties consent to venue in those courts and waives all defenses that relate to personal jurisdiction of those courts.

(b) If any litigation is necessary to enforce this Agreement, the prevailing party shall be entitled to reasonable costs, expenses, and fees including without limitation attorneys' fees and costs and travel-related costs.

3. ENTIRE AGREEMENT. This Agreement is the entire agreement of the parties and supersedes any prior agreements between them, whether written or oral, with respect to the subject matter hereof. No waiver, alteration, or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by duly authorized representatives of the parties hereto.

4. CAPTIONS. Captions and paragraph headings are for convenience only.

5. SEVERABILITY. The invalidity or unenforceability of any provision of this Agreement, or any terms thereof, shall not affect the validity of this Agreement as a whole.

6. ASSIGNMENT. Franchisee shall have the right to assign this Agreement and/or its rights under this Agreement and shall have the right to delegate its duties under this Agreement in the case of a sale of the ZIPS Dry Cleaners business. Neither this Agreement nor any right or duty hereunder or interest herein may be assigned, transferred or delegated by Dajisoft without the express written consent of ZIPS.

7. FORCE MAJEURE. Neither party shall be responsible to the other party for non-performance or delay occasioned by causes beyond that party's control (such as acts of God, strikes, boycotts, fires, and/or transportation failures).

8. NO WAIVER. The waiver by any party of any breach of covenant will not be construed to be a waiver of any succeeding breach or any other covenant. All waivers must be in writing, and signed by the party waiving its rights.

9. SURVIVAL. All provisions in this Agreement which expressly or by reasonable implication are intended to have effect after the expiration or termination of this Agreement shall so survive.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their representatives duly authorized effective as of the date first above written.

ZIPSSOFT, LLC	_____
By:_____	By:_____
Print Name: _____	Print Name:_____
Title: _____	Title:_____
Date: _____	Date:_____

EXHIBIT I
FINANCIAL STATEMENTS

VALUE DRYCLEANERS OF AMERICA, LLC
AND SUBSIDIARIES

Consolidated Financial Statements
Together with Independent Auditors' Report

As of December 31, 2019 and 2018 and
For the Years Ended December 31, 2019, 2018 and 2017

SC&H
ATTEST SERVICES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Value Drycleaners of America, LLC and Subsidiaries:

We have audited the accompanying consolidated financial statements of Value Drycleaners of America, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in members' equity (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2019 and 2018 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Value Drycleaners of America, LLC and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Value Drycleaners of America, LLC and Subsidiaries as of December 31, 2017 and for the year then ended were audited by other auditors whose report dated March 28, 2018, expressed an unmodified opinion on those statements.

SC&H Attest Services, P.C.

March 23, 2020

VALUE DRYCLEANERS OF AMERICA, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

As of December 31,	*2019*	*2018*
Assets		
Current Assets		
Cash	$ 525,674	$ 757,878
Restricted cash	205,797	333,230
Accounts receivable	124,406	78,316
Due from related parties	9,300	6,997
Prepaid expenses	92,288	76,949
Notes receivable	10,000	-
Total Current Assets	967,465	1,253,370
Property and Equipment, net	708,615	855,087
Other Assets		
Notes receivable	-	10,000
Deposits	37,748	37,748
Total Other Assets	37,748	47,748
Total Assets	$ 1,713,828	$ 2,156,205
Liabilities, Members' Equity (Deficit) and Noncontrolling Interest		
Current Liabilities		
Accounts payable and accrued expenses	$ 251,967	$ 401,779
Franchise advertising and marketing	205,797	333,230
Deferred franchise fees	155,000	324,000
Deferred software license fees	30,000	63,750
Current portion of long-term debt	352,133	381,100
Total Current Liabilities	994,897	1,503,859
Long-Term Liabilities		
Deferred franchise fees	60,000	10,000
Deferred software license fees	13,750	-
Deferred rent	6,952	19,684
Long-term debt, less current portion	387,257	602,203
Total Long-Term Liabilities	467,959	631,887
Total Liabilities	1,462,856	2,135,746
Commitments (Note 5)		
Value Drycleaners of America, LLC and Subsidiaries Members' Equity (Deficit)	189,377	(42,311)
Noncontrolling Interest	61,595	62,770
Total Members' Equity (Deficit) and Noncontrolling Interest	250,972	20,459
Total Liabilities, Members' Equity (Deficit) and Noncontrolling Interest	$ 1,713,828	$ 2,156,205

The accompanying notes are an integral part of these consolidated financial statements.

VALUE DRYCLEANERS OF AMERICA, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

For the Years Ended December 31,	*2019*	*2018*	*2017*
Revenues			
Store sales	$ 1,760,577	$ 1,588,297	$ 1,250,319
Royalty fees	1,730,017	1,557,972	1,479,495
Development fees	405,125	540,000	225,000
Software sales	301,555	239,000	203,700
Franchise fees	264,000	127,500	210,000
Total Revenues	4,461,274	4,052,769	3,368,514
Operating Expenses	4,163,205	4,094,886	3,773,186
Operating Income (Loss)	298,069	(42,117)	(404,672)
Other Income (Expense)			
Interest income	-	-	378
Interest expense	(57,737)	(62,345)	(44,633)
Gain on disposal of property and equipment	3,700	-	51,515
Other income	5,237	5,000	16,505
Total Other Income (Expense)	(48,800)	(57,345)	23,765
Net Income (Loss)	249,269	(99,462)	(380,907)
Less: Net Loss Attributable to Noncontrolling Interest	1,175	3,907	397
Net Income (Loss) Attributable to Value Dry Cleaners of America, LLC and Subsidiaries	$ 250,444	$ (95,555)	$ (380,510)

The accompanying notes are an integral part of these consolidated financial statements.

VALUE DRYCLEANERS OF AMERICA, LLC AND SUBSIDIARIES

Consolidated Statements of Changes in Members' Equity (Deficit)
For the Years Ended December 31, 2019, 2018 and 2017

	Controlling Interest Equity (Deficit)	Noncontrolling Interests	Total
Balance, January 1, 2017	$ 179,063	$ -	$ 179,063
Contributions from members	500,000	69,900	569,900
Distributions to members	(69,900)	(2,826)	(72,726)
Net loss	(380,510)	(397)	(380,907)
Balance, December 31, 2017	228,653	66,677	295,330
Repurchase of units	(175,409)	-	(175,409)
Net loss	(95,555)	(3,907)	(99,462)
Balance, December 31, 2018	(42,311)	62,770	20,459
Repurchase of units	(18,756)	-	(18,756)
Net income (loss)	250,444	(1,175)	249,269
Balance, December 31, 2019	$ 189,377	$ 61,595	$ 250,972

The accompanying notes are an integral part of these consolidated financial statements.

VALUE DRYCLEANERS OF AMERICA, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31,	*2019*	*2018*	*2017*
Cash flows from operating activities			
Net income (loss) attributable to Value Drycleaners of America, LLC and Subsidiaries	$ 250,444	$ (95,555)	$ (380,510)
Net loss attributable to noncontrolling interest	(1,175)	(3,907)	(397)
Net income (loss)	249,269	(99,462)	(380,907)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	146,472	191,159	176,457
Amortization of debt issuance costs	3,160	3,160	-
Gain on disposal of property and equipment	(3,700)	-	(51,515)
Changes in operating assets and liabilities:			
Accounts receivable	(46,090)	(46,267)	1,401
Due from related parties	(2,303)	1,080	(6,589)
Prepaid expenses	(15,339)	47,553	(52,914)
Accounts payable and accrued expenses	(149,812)	95,506	(109,645)
Franchise advertising and marketing	(127,433)	(88,297)	(91,359)
Deferred software license fees	(20,000)	3,750	22,500
Deferred franchise fees	(119,000)	46,500	137,500
Deferred rent	(12,732)	(7,076)	1,753
Net cash provided by (used in) operating activities	(97,508)	147,606	(353,318)
Cash flows from investing activities:			
Payments received on notes receivable	-	-	7,035
Purchases of property and equipment	-	(1,581)	(903,776)
Proceeds from disposal of property and equipment	3,700	-	57,889
Net cash provided by (used in) investing activities	3,700	(1,581)	(838,852)
Cash flows from financing activities:			
Principal payments on long-term debt	(247,073)	(194,707)	(95,932)
Proceeds from long-term debt	-	175,000	708,000
Repurchase of member units	(18,756)	(175,409)	-
Debt issuance costs	-	-	(18,433)
Distributions to noncontrolling interest	-	-	(2,826)
Contributions from members	-	-	500,000
Net cash provided by (used in) financing activities	(265,829)	(195,116)	1,090,809
Net decrease in cash and restricted cash	(359,637)	(49,091)	(101,361)
Cash and restricted cash, beginning of year	1,091,108	1,140,199	1,241,560
Cash and restricted cash, end of year	$ 731,471	$ 1,091,108	$ 1,140,199
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for interest	$ 61,122	$ 53,489	$ 48,423
Supplementary Non-Cash Investing and Financing Activities:			
Issuance of notes receivable	$ -	$ -	$ 10,000
Distribution to members	$ -	$ -	$ 69,900

The accompanying notes are an integral part of these consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Value Drycleaners of America, LLC (VDA) and its subsidiaries, ZIPS Franchising, LLC (Franchising); ZIPScredit, LLC (Credit); ZIPSsoft, LLC (Soft); and ZIPS141, LLC (141); collectively referred to as "the Company". The Company records noncontrolling interest in its financial statements to recognize the noncontrolling interest in Franchising, Credit and 141. All significant intercompany account balances and transactions have been eliminated in consolidation.

Nature of Operations

Value Drycleaners of America, LLC is a Maryland Limited Liability Company organized on June 28, 2002 and is engaged in marketing of ZIPS Dry Cleaners stores, licensing of trademarks and developing future markets of ZIPS franchises.

Franchising is a Maryland Limited Liability Company organized on August 30, 2004, and acts as franchisor for ZIPS Dry Cleaners stores. The entity's revenues consist of royalty fees, and franchise and development fees. During the current year, eight new stores opened and a total of 65 stores are in operation. Of the 65 stores in operation, two stores are operated by the Company (see Credit and 141 below) and 24 stores are directly or indirectly operated by members of ZIPS Founders LLC, a member of the Company. These stores are referred to as ZIPS Founders' Stores.

Credit is a Maryland Limited Liability Company organized on January 13, 2006. The general purpose of the LLC is to manage ZIPS Dry Cleaners store #131 located in Elkridge, Maryland. The location serves as a fully functional ZIPS Dry Cleaners store and training facility for new franchisees. The entity's revenue is substantially derived from dry cleaning services.

Soft is a Maryland Limited Liability Company organized on August 30, 2004, and develops and maintains proprietary software programming used by ZIPS Dry Cleaners stores. Revenue for the entity is generated through software license fees, and software maintenance and support fees from fully operating ZIPS Dry Cleaners stores.

141 is a Virginia Limited Liability Company organized on April 3, 2017. The general purpose of the LLC is to manage ZIPS Dry Cleaners store #141 located in Mt. Vernon, Virginia. The location serves as a fully functional ZIPS Dry Cleaners store. The entity's revenue is substantially derived from dry cleaning services.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Recently Adopted Accounting Principles

The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers,* Accounting Standards Codification (ASC) 606 (ASC 606), which modifies the guidance for revenue recognition. The Company implemented ASU 2014-09 during the year ended December 31, 2019. The Company has determined that the new standard does not have an impact on the timing of the Company's revenue recognition. There was no effect on income from operations, net income, or members' equity as a result of the adoption of ASU 2014-09

The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. The Company determined commissions paid to sales representatives for the sale of new franchises qualify as incremental costs under ASC 606 and therefore are capitalizable upon obtaining the contract and deferred until the development fee or franchise fee is recognized, at which time the commission is expensed. Prepaid commissions totaled $18,000 and $42,100 as of December 31, 2019 and 2018, respectively, and are recorded in prepaid expenses on the accompanying consolidated balance sheets. Commission expense totaled $68,100, $75,000 and $66,000 during the years ended December 31, 2019, 2018 and 2017, respectively.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows, Restricted Cash* (Topic 230), which requires entities to show the changes in the total of cash and restricted cash in the statement of cash flows. As a result, entities will no longer present transfers between cash and restricted cash in the statement of cash flows. The ASU requires changes in the Company's restricted cash to be classified as either operating activities, investing activities, or financing activities depending on the nature of the activities that give rise to the restriction. The Company implemented ASU 2016-18 during the year ended December 31, 2019 and it has been applied retrospectively to all periods presented.

Revenue Recognition

The Company's revenues primarily consist of fees from franchisees including royalty fees, franchise and development fees, software licensing fees, and software maintenance and support fees. Additional revenues consist of the operation of two ZIPS Dry Cleaners stores, one of which also operates as a training facility for new franchises.

Store sales are recognized at a point in time when dry cleaning and other services are sold at Company stores.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Revenue Recognition – cont'd.

Royalty fees are based on a percentage of sales or fixed fee as defined in the franchise agreements for each store. These fees are recognized as revenue over time as they are earned and become receivable from the franchisee. Sales based royalties are variable consideration related to the Company's performance obligation to the franchisees to maintain the intellectual property being licensed.

Development fees include fees which are paid from developers to secure geographic territory for the future development of ZIPS Dry Cleaners franchises. Development fees are for services that are separate and distinct from the services related to the franchise fees. Development fees are recognized as income at a point in time upon satisfaction of the Company's obligations, which may include recruitment and negotiation, territory determination, and market study analysis.

Software sales include software licensing fees, and software maintenance and support fees. Initial software license fees are recognized at a point in time when the installation and setup of the software is complete and the store location is open and operating.

Initial software license fees totaled $67,500, $37,500, and $45,000 during the years ended December 31, 2019, 2018 and 2017, respectively. These fees are invoiced at the signing of the agreement and deferred until performance is complete. Unearned software licensing fees are included in deferred software license fees on the accompanying consolidated balance sheets.

The Company has determined the quarterly software license fees provides a right to access the intellectual property and therefore is recognized over the term of the agreements. Quarterly software license fees totaled $73,105, $63,200 and $35,900 during the years ended December 31, 2019, 2018 and 2017, respectively.

The Company has determined the software maintenance and support fees provide a stand-ready obligation that the customer consumes and receives benefit from throughout the obligation period. These fees are recognized over the term of the agreements. Software maintenance and support fees totaled $160,950, $138,300, and $122,800 during the years ended December 31, 2019, 2018 and 2017, respectively.

Franchise fees are recognized as revenue at a point in time when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. These services include training, site selection, lease review, store design/layout, equipment & inventory selection, construction monitoring & progress liaison, employee selection and training support, and store opening assistance. Substantial performance generally occurs when the franchisee begins operations. Unearned franchise fees are included in deferred franchise fees on the accompanying consolidated balance sheets. Franchise fees are nonrefundable and fees received for undeveloped units are recognized upon termination of the agreement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Cash

The Company's cash include amounts in checking accounts at regional commercial banks. Restricted cash represents the unused funds collected from stores for national and regional marketing program expenditures. Funds are restricted for specific use in advertising expenditures. Such balances may, at times, exceed federally insured limits. Management considers this to be a normal business risk.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to allowance for doubtful accounts based on its assessment of the current status of the individual accounts. Delinquency is determined based on contractual terms. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. Management believes all accounts are collectible and, accordingly, has not recorded an allowance for doubtful accounts as of December 31, 2019 and 2018.

Notes Receivable

Effective August 16, 2017, the Company entered into a noninterest-bearing note agreement with the purchaser of an existing franchise for the franchise renewal fee in the amount of $10,000 payable in full on December 6, 2020. The note has not been discounted in these financial statements as management believes the amount of imputed interest is immaterial.

The Company determines whether an allowance is needed with respect to the outstanding note receivable based on its assessment of the current status of the note, and places notes receivable on nonaccrual status as necessary based on management's review of facts and circumstances specific to the outstanding notes. As of December 31, 2019 and 2018, the note receivable was not past due or on nonaccrual status and there was no allowance for credit losses as management does not believe there is any credit quality risks related to the note receivable.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over estimated useful lives from five-to-seven years. Leasehold improvements are amortized over the shorter of their estimated useful life or the term of the lease using the straight-line method. Expenditures for maintenance and repairs are charged to operations as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Valuation of Long-Lived Assets

The Company accounts for the valuation of long-lived assets in accordance with Financial Accounting Standards Board FASB ASC 360, *Property, Plant, and Equipment* (ASC 360), which requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reported at the lower of the carrying amount or fair value, less costs to sell. As of December 31, 2019 and 2018, management does not believe any long-lived assets are impaired and has not identified any assets as being held for disposal.

Franchise Advertising and Marketing

The liability for franchise advertising and marketing consists of unspent funds collected from stores for national and regional program expenditures.

As stated in the franchise agreements for each store, all franchise-operated stores are required to contribute a percentage of net sales to Franchising for franchise advertising and marketing. Currently, all franchisees contribute up to 4% of net sales for brand development and media advertising. These contributions are allocated between a national and regional marketing fund. The fees are utilized to pay costs for all advertising and marketing programs as Franchising determines necessary. The assets held by this fund, in a separate bank account, are considered restricted and are presented as restricted cash on the accompanying consolidated balance sheets. Unspent funds are held as a liability until used for future advertising and marketing expenditures. The balance in the restricted cash account as of December 31, 2019 and 2018 totaled $205,797 and $333,230, respectively.

Debt Issuance Costs

In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This update requires that debt issuance costs be presented in the consolidated balance sheets as a reduction from the related debt liability rather than as an asset, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. As a result of the adoption of ASU 2015-03, the long-term debt on the accompanying consolidated balance sheets have been reduced by net deferred financing costs totaling $12,113 and $15,273 (Note 3) as of December 31, 2019 and 2018, respectively.

Costs directly associated with the issuance of notes payable totaling $18,433 were capitalized and are being amortized using the effective interest method over the term of the related notes payable and are recognized as interest expense. Accumulated amortization totaled $6,320 and $3,160 as of December 31, 2019 and 2018. Interest expense totaled $3,160, $3,160, and $0 for the years ended December 31, 2019, 2018 and 2017, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Advertising Costs

Advertising costs, exclusive of the franchise advertising and marketing funds are expensed as incurred. Total advertising expense for the years ended December 31, 2019, 2018 and 2017 was $89,131, $107,153, and $72,916, respectively.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. Therefore, no provision or liability for federal income taxes related to these entities has been included in these consolidated financial statements because taxable income or loss passes through to, and is reportable by, the members on their respective income tax returns.

The Company recognizes the financial statement benefit of an income tax position only after determining that the relevant taxing authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority.

The Company's policy is to treat interest and penalties associated with taxes as income tax expense. No interest or penalties were recognized during the years ended December 31, 2019, 2018 and 2017.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will be effective for fiscal years beginning after December 15, 2020. The distinction between finance leases (previously capital leases) and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous lease guidance. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the balance sheet as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. The Company is currently evaluating the timing of its adoption and the impact of adopting the new lease standard on the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Subsequent Events

The Company has evaluated subsequent events through March 23, 2020, the date that the consolidated financial statements were available to be issued, and determined that there were no material events that warrant disclosure except as disclosed below.

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern". Subsequent to year-end, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by the Federal and State governments have caused schools and numerous businesses to close or operate remotely in an effort to prevent COVID-19 from spreading more rapidly. Although the Company has not experienced an immediate impact from COVID-19, the extent of the impact of COVID-19 on the Company's revenues and financial performance will depend on future developments, including the duration and spread of the outbreak, which is highly uncertain and cannot be predicted. The impact of COVID-19, however, could materially adversely affect the Company's results of operations.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31,:

	2019	2018
Furniture and fixtures	$ 177,349	$ 177,349
Machinery and equipment	992,042	1,002,818
Leasehold improvements	702,333	702,333
	1,871,724	1,882,500
Less: accumulated depreciation and amortization	(1,163,109)	(1,027,413)
Property and equipment, net	$ 708,615	$ 855,087

Depreciation and amortization expense, for the years ended December 31, 2019, 2018 and 2017 totaled $146,472, $191,159 and $176,457, respectively.

3. LONG-TERM DEBT

The Company's long-term debt at December 31, 2019 and 2018 consists of the following:

	2019	2018
Note payable (Credit), dated April 7, 2011, matures April 7, 2021, fixed monthly payments of principal and interest, interest rate of 5.50%	$ 127,923	$ 225,897
Note payable (141), dated May 4, 2017, matures November 4, 2023, interest only payments through November 2017, equal monthly principal and interest payments thereafter, interest rate of 5.75%	489,531	597,679
Related party note payable (VDA), dated June 18, 2018, matures December 31, 2020, fixed monthly payments of principal and interest, interest rate of 8.00%	134,049	175,000
Less: unamortized debt issuance costs	(12,113)	(15,273)
Long-term debt, less unamortized debt issuance costs	739,390	983,303
Less: current portion	352,133	381,100
Total long-term debt, less current portion	$ 387,257	$ 602,203

Future maturities of long-term debt are as follows:

2020	$ 352,133
2021	145,883
2022	128,766
2023	124,721
Total	$ 751,503

The notes with local banks were used to finance the construction of the Company's training facility located in Elkridge, Maryland and the Company's store in Mt. Vernon, Virginia. The note for Credit is secured by substantially all assets of Credit and guaranteed by the members of ZIPS Founders LLC. The note for 141 is secured by substantially all assets of 141 and guaranteed by VDA.

4. RELATED-PARTY TRANSACTIONS

Royalties receivable of $9,300 and $6,997 were due from ZIPS Founders' Stores as of December 31, 2019 and 2018, respectively.

Royalty fees of $359,060, $394,002, and $491,746 were recognized in revenue from ZIPS Founders' Stores for the years ended December 31, 2019, 2018 and 2017, respectively.

Deferred franchise fees of $0 and $40,000 were due from ZIPS Founders' Stores as of December 31, 2019 and 2018, respectively.

Franchise fees of $10,000, $0, and $0 were recognized in revenue from ZIPS Founders' Stores for the years ended December 31, 2019, 2018 and 2017, respectively.

Software and technology fees of $86,100, $84,000, and $77,700, were recognized in revenue from ZIPS Founders' Stores for the years ended December 31, 2019, 2018 and 2017, respectively.

5. OPERATING LEASES

During January 2014, the Company signed a lease for office space in Greenbelt, Maryland to be utilized as the new corporate headquarters for the Company. The lease commenced on June 1, 2014 and expires on October 31, 2021. The Company has the option to extend the term of the lease for one additional term of five years with written notification to the landlord 10 months prior to the lease expiration.

The base rent shall be adjusted commencing on the first anniversary of the rent commencement date, and each year thereafter, based on a 2.50% fixed annual increase over the previous year's base rent. The Company shall pay as an additional rent its pro rata share of increases in operating expenses and real estate taxes above the 2014 base year. Per the terms of the lease, the last five months of rent will be abated.

The Company has a noncancelable lease through April 2021, for a fully operational ZIPS location that also serves as a training facility and office space. The lease is subject to annual increases in base rent of 2.00% with an option for renewal for two additional five-year periods.

The Company has a noncancelable lease through July 2027, for a fully operational ZIPS location. The lease is subject to annual increases in base rent after the fifth anniversary of the lease, with an option for renewal for two additional five-year periods.

Leases are recorded as operating leases and expensed on a straight-line basis.

5. OPERATING LEASES – cont'd.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2019 are as follows:

2020	$	344,266
2021		182,723
2022		87,360
2023		92,435
2024		94,284
Thereafter		243,795
Total	$	1,044,863

Rent expense totaled $409,665, $393,738, and $345,520 for the years ended December 31, 2019, 2018 and 2017, respectively.

6. FRANCHISING

The Company generates revenues from franchising through individual franchise sales and development agreements. In general, the Company's franchise agreements provide for the payment of a franchise fee for the use of the Company's trademarks, marketing plan and systems relating to the operations of a dry cleaning business.

Typically, the franchise agreements are for a period of 10 years, with an option to renew for up to two successive renewal terms of five years each.

The total investment necessary to begin operation of a franchised ZIPS Dry Cleaners Business ranges from $745,700 to $1,300,000. This includes up to $47,500 that must be paid to the Company, which includes franchise, development and software fees. The estimated initial investment does not include the cost of buying the business location.

7. MEMBERS' EQUITY

The Company has two classes of members.

Class A members have the exclusive right to vote on any matters relating to the Company and allocation of net income (loss) is allocated among the Class A members in proportion to their percentage interest of all Class A Units.

Class B members have no voting or management rights with respect to any matters or actions relating to the Company and are considered profit interests. The Class B units have a limited economic right to receive distributions in the event of a Capital Transaction or dissolution of the Company as described in the Operating Agreement. Class B Units are subject to the terms and conditions of the associated Profits Interest Agreement. These agreements may vary by Class B member.

7. MEMBERS' EQUITY – cont'd.

On January 1, 2014, the Company awarded 526,316 Class B Units of the Company to a key officer of the Company equaling 5% of the fully diluted units of the Company. As of December 31, 2017, 508,611 of the units had vested. Effective November 30, 2017, the key officer retired and forfeited the remaining 17,705 units.

Effective June 30, 2015, the Company awarded 106,327 Class B Units of the Company to the same key officer of the Company equaling 1% of the fully diluted units of the Company. The units were fully vested at the time of the award.

On June 13, 2018 the Company entered into an agreement with the key officer to purchase 400,000 of the vested units for a total purchase price of $175,000.

Effective May 1, 2015, the Company awarded 10 Class B Units in Credit to a member of management equaling 10% of the fully diluted units of the subsidiary. Effective January 1, 2017, Credit amended its operating agreement to reduce the Class B Units awarded in Credit to 4, equaling 4.3% of the fully diluted units of Credit. Effective April 5, 2017, 141 amended its operating agreement to award 6 Class B Units in 141, representing 6% of the fully diluted units of 141 to this member. As of December 31, 2019, 4 and 4 of the units in Credit and 141 have vested, respectively. As of December 31, 2018, 4 and 2 units in Credit and 141 had vested, respectively. The remaining units in 141 vest prorata annually on the anniversary of the agreement's effective date, through the third anniversary of the amended award.

On July 21, 2016, the Company awarded 328,845, Class B Units of the Company to various members of management. On October 13, 2016, the Company awarded 32,983 Class B Units of the Company to an additional member of management. On March 6, 2018 two members of management previously awarded Class B Units terminated employment. The Company exercised its option under the operating agreement to purchase the vested options totaling 39,628 units for a total purchase price of $409. During the year ended December 31, 2019, five members of management previously awarded Class B United terminated employment. The Company exercised its option under the operating agreement to purchase the vested options totaling 168,240 units for a total purchase price of $18,756. As of December 31, 2019 and 2018, 62,940 and 193,197 of the units have vested, respectively. The remaining units vest monthly through the fourth anniversary of the awards.

Effective March 1, 2018, the Company awarded 722,952 Class B Units of the Company to two members of management. As of December 31, 2019 and 2018, 314,922 and 172,523 of the units have vested, respectively. The remaining units vest monthly as defined in the agreements.

No compensation expense has been recognized in the accompanying consolidated statements of operations and members' equity as the Company believes the grant date fair value of the Class B units was immaterial.

8. RETIREMENT PLAN

The Company established a qualified profit-sharing and 401(k) plan, effective January 1, 2015. The Plan covers employees who meet certain eligibility requirements. The Company may make discretionary matching contributions up to a specified percentage of the salary reduction amount. The Company may also make an additional discretionary contribution annually. No matching or additional discretionary contributions were made in 2019, 2018 and 2017.

9. BUSINESS INTERRUPTION

In August 2017, the Company suffered property damage and business interruption due to a boiler malfunction at its Elkridge, Maryland location. As a result, the Company was awarded insurance claims of $57,889 for property damage, which is included in gain on disposal of assets in the accompanying consolidated statements of operations. The Company was also awarded $16,559 for business interruption insurance claims. The Company incurred $5,365 in additional costs to service customers during the temporary closure of the location, resulting in net insurance proceeds of $11,194 which is included in other income on the accompanying consolidated statements of operations.

10. NONCONTROLLING INTEREST

Effective January 1, 2017, VDA distributed a 1% interest in Franchising with a fair value of $69,900 to its members. A reconciliation of the noncontrolling interest for the years ended December 31, 2019, 2018 and 2017 is as follows:

Noncontrolling interest, January 1, 2017	$	-
Transfer of 1% interest to VDA members		69,900
Distributions		(2,826)
Net loss, Franchising		(3,385)
Net income, Credit		2,988
Noncontrolling interest, December 31, 2017		66,677
Net loss, Franchising		(767)
Net income, Credit		1,578
Net loss, 141		(4,718)
Noncontrolling interest, December 31, 2018		62,770
Net income, Franchising		736
Net income, Credit		2,772
Net loss, 141		(4,683)
Noncontrolling interest, December 31, 2019	$	61,595

GUARANTEE OF PERFORMANCE

GUARANTEE OF PERFORMANCE

For value received, Value Drycleaners of America, LLC, a Maryland limited liability company (the **"Guarantor"**), located at 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770, absolutely and unconditionally guarantees to assume the duties and obligations of ZIPS Franchising, LLC, located at 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770 (the **"Franchisor"**), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued March 23, 2020, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executed this guarantee at Greenbelt, Maryland, on the 23 day of March, 2020.

Value Drycleaners of America, LLC

By: _____
Andrew G. Ritger, Jr., Chief Executive Officer

EXHIBIT J
TABLES OF CONTENTS OF THE MANUALS
(TOTAL NUMBER OF 250 COMBINED PAGES)

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Disclaimer: This is a confidential document from ZIPS Franchising, LLC, containing information, including trade secrets, proprietary to the ZIPS system and intended only for ZIPS Franchisees and Store Managers. Any disclosure, dissemination, distribution, copying, reliance upon, or other access by anyone other than the intended recipient(s) of the information herein without prior written authorization from ZIPS Franchising, LLC is strictly prohibited. The Brand Standards contained within are designed to protect the System and the trademarks associated with the System. Franchisee always will remain responsible for the day-to-day operation of the outlet. Franchisee must hire, train discipline, and otherwise be solely responsible for the outlet's employees. Franchisor is not responsible for, and does not direct or control the conduct of, any outlet employee.

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EXHIBIT K
STATE-SPECIFIC FDD AND AGREEMENT ADDENDA

ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF CALIFORNIA

ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF CALIFORNIA

1. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

   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.

   See the cover page of the disclosure document for our URL address. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT WWW.DBO.CA.GOV.

2. **STATE COVER PAGE**. The following RISK FACTORS are added to the STATE COVER PAGE:

   THE FRANCHISE AGREEMENT CONTAINS PROVISION THAT LIMIT FRANCHISEE'S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA INCLUDING BUT NOT LIMITED TO A TIME LIMIT TO RAISE CLAIMS AGAINST THE FRANCHISOR, LIMITATION OF DAMAGES AND WIAVER OF JURY TRIAL.

3. **Item 3, Litigation.** The following statement is added to Item 3:

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

4. **Item 6, Interest.** The maximum interest rate in California is 10% annually.

5. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

   California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of the Development or Franchise Agreement. If the Agreements contain any provision that is inconsistent with the law, the law will control.

   The Development and Franchise Agreement contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

   You must sign a general release upon execution of the Development and Franchise Agreement, if you transfer the rights granted under the Development or Franchise Agreement and if you renew the Franchise Agreement. These provisions may not be

enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Development and Franchise Agreement provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.).*

The Development and Franchise Agreement provide for application of the laws of Maryland. This provision may not be enforceable under California law.

The Development and Franchise Agreement contain a choice of forum provision. These provisions require that any action you bring be commenced in the jurisdiction where our principal business address is located, which is currently in Maryland. These provisions may not be enforceable under California law.

EXHIBIT L
GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE ("Release") is executed on _____ by _____ ("Franchisee") and/or _____ ("Guarantors") as a condition of (1) the transfer of the ZIPS Franchising, LLC Franchise Agreement dated _____ between ZIPS Franchising, LLC ("ZIPS") and Franchisee ("Franchise Agreement") or the ZIPS Franchising, LLC Development Agreement dated _____ between ZIPS Franchising, LLC ("ZIPS") and Franchisee ("Development Agreement"); or (2) the execution of a renewal Franchise Agreement by Franchisee and ZIPS.

1. Release by Franchisee and Guarantors. If Franchisee is an entity, Franchisee (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) or, if Franchisee is an individual, Franchisee (on behalf of himself/herself and his/her heirs, representatives, successors and assigns) (collectively, "Releasors") freely and without any influence forever release ZIPS, its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively, "Releasees"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "Claims"), which any Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to, the Development Agreement and/or the Franchise Agreement and all other agreements between any Releasor and any Release arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law. This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Risk of Changed Facts. Franchisee and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. No Prior Assignment. Franchisee and Guarantors represent and warrant that the Releasors are the sole owners of all Claims and rights released in Section 1 and that the Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1.

4. Covenant Not to Sue. Franchisee and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

5. Complete Defense. Franchisee and Guarantors: **(a)** acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and

(b) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. Successors and Assigns. This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of ZIPS and each Releasor.

7. Third Party Beneficiary. ZIPS and its parent, affiliates and subsidiaries shall be third party beneficiaries under this Release.

8. Representation by Counsel. Franchisee and Guarantors acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Release, and that they have executed this Release with the consent and upon the advice of said independent counsel.

9. Enforcement. This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Maryland. Franchisee and Guarantors shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where ZIPS' principal offices are located. ZIPS may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee resides or does business, or where the claim arose.

10. Confidentiality. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

11. Construction. Any capitalized terms that are not defined in this Release shall have the meaning given them in the Development Agreement and the Franchise Agreement, as the context requires. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

12. This release shall not apply to any liability under the Franchise Investment Protection Act of Washington.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown above.

ATTEST:

By: _____

Print Name: _____

FRANCHISEE:

By: _____

Print Name: _____

Title _____

Date: _____

WITNESS:

_____

Print Name: _____

GUARANTOR:

_____

Print Name: _____

Date: _____

WITNESS:

_____

Print Name: _____

GUARANTOR:

_____

Print Name: _____

Date: _____

EXHIBIT M
LIST OF FRANCHISED BUSINESSES,
DEVELOPERS AND FORMER FRANCHISEES

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

List of Franchised Businesses as of December 31, 2019

Franchisee's Name	Address	City	State	Telephone Number
California				
*ZDry Location One LLC Joseph Bernatowicz	3010 S. Bristol St.	Costa Mesa	CA	949.423.0167
*ZDry Santa Fe LLC Joseph Bernatowicz	13475 Telegraph Rd.	Whittier	CA	562.375.6377
*ZDry Huntington Beach LLC Joseph Bernatowicz	17041 Beach Blvd.	Huntington Beach	CA	714.430.8556
Washington, District of Columbia				
COAM Enterprises LLC Brett Vago	4418 Connecticut Ave. NW	Washington	DC	202.686.8495
COAM Net LLC Brett Vago	1571 Maryland Ave. NE	Washington	DC	202.808.3341
Florida				
*Montante74 LLC Michael Montante	2206 S. Dale Mabry Hwy.	Tampa	FL	813.485.7444
Illinois				
*Dharmesh Patel, Ashok Patel, Kamlesh Patel, Ambalal Patel	1531 Deerfield Parkway	Buffalo Grove	IL	630.716.8477
Indiana				
*ELLAvation Cleaners #1 LLC Larry Frutkin	5025 E. 82nd St., Ste 300-350	Indianapolis	IN	317.559.2769
*ELLAvation Cleaners #3 Inc. Larry Frutkin	8553 Ditch Road	Indianapolis	IN	317.559.2769
Maryland				
DANI Inc. JoLeslie Levine	1955 West Street	Annapolis	MD	410.266.5880
Wet Washed LLC Bart Casiello	707 Washington Blvd	Baltimore	MD	410.690.8375
No Mas LLC Bart Casiello	1325 Eastern Avenue	Baltimore	MD	410.216.5068
*AAA Dry Cleaning LLC Al Holcomb	308 South Main St.	Bel Air	MD	410.844.5858
*Clean Green Bowie LLC Allan Boomer	15752 Annapolis Rd.	Bowie	MD	301.658.3595
Suncrest Investment LLC Bashir Shams	6102 Baltimore National Pike	Catonsville	MD	443.315.5184
RNR Enterprises LLC Richard Wathen	2130 DiDonato Drive	Chester	MD	410.643.9473
KAPCAL Enterprises LLC Eleanor Callahan	7215 Baltimore Avenue	College Park	MD	301.864.4300

Franchisee's Name	Address	City	State	Telephone Number
*Pilgrimage Development LLC Ann Portnow	10715 Little Patuxent Pkwy	Columbia	MD	410.740.8690
Redo LLC Bart Casiello	5732 Silver Hill Rd.	District Heights	MD	301.685.6009
*TJ Cleaning Services LLC Shahid Hashmi	25 Eastern Blvd	Essex	MD	443.815.3844
GARMO LLC Chris Garcy	1003 West Patrick Street	Frederick	MD	301.624.5588
CTTL Enterprises Inc Sandra Aycock	9811 Washingtonian Blvd	Gaithersburg	MD	301.216.0700
A&A Mir LLC Abdul Mir	2510 Conway Road, Ste 102	Gambrills	MD	410.721.9477
KC Squared LLC Russell Kaplan	13083 Wisteria Drive	Germantown	MD	301.355.4920
*Pilgrimage Development LLC Ann Portnow	7563 Ritchie Highway	Glen Burnie	MD	410.760.2172
AMC Enterprise LLC Bashir Shams	2733-B Annapolis Rd.	Hanover	MD	443.308.5252
Uno Mas LLC Bart Casiello	8805 Annapolis Road	Lanham	MD	301.306.1100
BBB Enterprises Inc Bart Casiello	14705-C Baltimore Avenue	Laurel	MD	301.362.5960
*Pilgrimage Development LLC Ann Portnow	35 Magothy Beach Road	Pasadena	MD	410.317.5253
KGD LLC Greg Austin	1220 Reisterstown Road	Pikesville	MD	410.653.0057
LTTC Enterprises LLC Sandra Aycock	901 Rockville Pike	Rockville	MD	301.315.9006
Samona LLC Samir Thakkar	11200 Scaggsville Road	Scaggsville	MD	301.604.9477
Sunbeam Investment LLC Bashir Shams	12144 Tech Road	Silver Spring	MD	301.622.9477
La Ropa LLC Bart Casiello	4333 Saint Barnabas Road	Temple Hills	MD	301.423.7666
Wohlleben LLC Dennis McMahon	10265 York Road	Cockeysville	MD	410-252-6222
La Vida Buena LLC Dennis McMahon	1002 Taylor Avenue	Towson	MD	410.828.9477
*Clean Green Services LLC Allan Boomer	2875 Crain Highway	Waldorf	MD	240.297.7227
Ohio				
*DeVoe & Pinkey Enterprises Josh Pinkey	3361 Madison Rd.	Cincinnati	OH	513.276.4554
Oregon				
*NE Halsey Dry Cleaning LLC Octavio Lubrano	10228 NE Halsey St.	Portland	OR	503.298.5800

Franchisee's Name	Address	City	State	Telephone Number
Pennsylvania				
4Ever Clean LLC Guy Naftali	1342 Bristol Pike	Bensalem	PA	215.638.1321
*ZDC Jenkintown LLC Bryan Rishforth	732 Old York Road	Jenkintown	PA	267.636.5902
*ZDC King of Prussia LLC Bryan Rishforth	371 W. Dekalb Pike	King of Prussia	PA	484.322.5864
HINENI, Inc. Carlos Cadenas	3011-3015 Columbia Ave.	Lancaster	PA	717.945.6767
Karnavati Dry Cleaners LLC Hemal Shah	6110 Carlisle Pike	Mechanicsburg	PA	717.918.1900
One Day Dry Cleaners LLC Cheryl Connell	3005 Banksville Road	Pittsburgh	PA	412.561.7800
The Button Men LLC John Casiello	618 York Road	Warminster	PA	215.442.1471
El Nino Drycleaning LLC Carlos Cadenas	2440 Eastern Boulevard	York	PA	717.755.7321
Texas				
*AUBWDCR1601 LLC David Sisk	1803 S. Lamar Blvd.	Austin	TX	512.598.9101
*AUBWDCR1702 LLC David Sisk	2510 W. Parmer Ln.	Austin	TX	512.598.9268
Virginia				
LNNL Inc. Jeff Levine	6216 North Kings Highway	Alexandria	VA	703.765.2250
Lavasecco LLC Kevin Yorke	3856 Dulles South Court	Chantilly	VA	703.263.1806
CAMI LLC Angel Ramos	3930 Fettler Park Drive	Dumfries	VA	703.445.9204
COAM DOOL LLC Kyo Kim	10966 Fairfax Boulevard	Fairfax	VA	703.246.9030
COAM SET LLC Kyo Kim	9615 Fairfax Boulevard	Fairfax	VA	703.666.8834
Cayle LLC Carlos Cadenas	6347 Columbia Pike	Falls Church	VA	703.256.5863
RM Inc. Angel Ramos	4230 Plank Road	Fredericksburg	VA	540.548.2070
*SES Cleanz II LLC Samer Shalaby	10828 W. Broad Street	Glen Allen	VA	804.729.3830
*Third Store LLC Michael Lanzara	9651 Liberia Avenue	Manassas	VA	703.686.4161
*Second Store LLC Michael Lanzara	8033 Sudley Road	Manassas	VA	703.457.1065
*SES Cleanz Norfolk LLC Samer Shalaby	5812 Poplar Hall Drive	Norfolk	VA	757.466.9477
*SES Cleanz LLC Samer Shalaby	53 Doc Stone Road	Stafford	VA	540.602.7890

Franchisee's Name	Address	City	State	Telephone Number
Centillion LLC Carlos Cadenas	46839 Maple Leaf Place	Sterling	VA	703.421.9125
*Narmada LLC Krishna Gondi	13584 Minnieville Road	Woodbridge	VA	571.285.5103

* Also Area Developer

Franchise Agreements signed as of December 31, 2019,
but Franchised Business not opened

Franchisee's Name	Territory		Telephone Number
*LA ZDry LLC Joseph Bernatowicz	Los Angeles	CA	215.806.3446
*Franklin Morgan Partners LLC Allan Boomer	Atlanta	GA	917.997.4297 x7003
*Bipin Patel	Hagerstown	MD	443.528.5754
*ZDC Feasterville LLC Bryan Rishforth	Philadelphia	PA	610.525.8696
*3A2 Dry Cleaning, LLC Al Holcomb	White Mash	MD	410.844.5858
*Patel Cleaners LLC Pranav Patel	Albuquerque	NM	505.385.9483
*AUBWDCR1803 LLC David Sisk	Austin	TX	512.598.9101
*Cody Barnett	Houston	TX	405.947.5546
*Shahid Hashmi, Tony Akaras	Norfolk	VA	443.815.3844

*Also Area Developer

List of Franchisees and Developers Who Left the System (Transferred, Terminated, Not Renewed, or Otherwise Left the System) FROM JANUARY 1, 2019 TO DECEMBER 31, 2019 or who have not communicated with the franchisor within 10 weeks of disclosure document issuance date.

Franchisee's / Developer's Name	Business Address	Phone Number
El Camino LLC Harvey Rothstein	5100 Buckeystown Pike, Suite 250 Frederick, MD 21704	443.837.3262

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

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 ZIPS Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days 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 ZIPS Franchising, LLC 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit A.

The franchisor is ZIPS Franchising, LLC, located at 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770. Its telephone number is: (301) 313-0389.

Issuance date: March 23, 2020

The franchise sellers for this offering are Drew Ritger and Sarah Moudry who are employed by ZIPS Franchising, LLC, located at 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770 and its telephone number is (301) 313-0389.

Any additional individual franchise sellers involved in offering the franchise are:

_____

_____

ZIPS Franchising, LLC authorizes the respective agencies identified in Exhibit B to receive service of process for it in the particular state.

I received a disclosure document dated March 23, 2020that included the following exhibits:

A. List of State Administrators
B. Agents for Service of Process
C. Development Agreement
D. Franchise Agreement
E. Confidentiality and Noncompetition Agreements
F. Compliance Questionnaire
G. ZIPSsoft Software License Agreement
H. ZIPSsoft Software Service Agreement
I. Financial Statements
J. Tables of Contents of the Manuals
K. State-Specific FDD and Agreement Addenda
L. General Release
M. List of Franchised Businesses, Developers and Former Franchisees

Date of Receipt: _____

Signature	Print Name
Company Name	Street Address
Telephone Number	City, State Zip Code

TO BE RETAINED BY YOU

RECEIPT

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 ZIPS Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days 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 ZIPS Franchising, LLC 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit A.

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Date of Receipt: _____

_____	_____
Signature	Print Name
_____	_____
Company Name	Street Address
_____	_____
Telephone Number	City, State Zip Code

TO BE RETURNED TO ZIPS