

FRANCHISE DISCLOSURE DOCUMENT



CLEANERS DEPOT FRANCHISE, LLC

a Nevada limited liability company

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The franchise is to operate a retail dry cleaning business under the "CD ONE PRICE CLEANERS®" name that provides on-premises, discount dry cleaning services.

The total investment necessary to begin operation of a full production CD One Price Cleaners Store ranges from \$942,475 to \$1,173,400. This includes \$30,000 to \$617,500 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a satellite CD One Price Cleaners store ranges from \$123,275 to \$258,950. This includes \$2,000 to \$13,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Tom Ryan, our Vice President of Franchise Development, at 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154, (708) 836-4615.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[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 at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date of this Franchise Disclosure Document: April 25, 2022,
as amended February 21, 2023

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 H.
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 E 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 CD ONE PRICE CLEANERS business 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 a CD ONE PRICE CLEANERS franchisee?	Item 20 or Exhibit H lists 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 arbitration within 10 miles of our then existing principal business address (currently located in Westchester, Illinois) and/or by litigation in Chicago, Illinois. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in our home state than in your own state.

2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

Us, Our Affiliates and CD Stores

The franchisor is Cleaners Depot Franchise, LLC ("we", "us" or "our"). "You" means the person or entity to whom we grant a franchise. If you are a corporation, partnership, or other entity, your owners must sign our "Guaranty and Assumption of Obligations," which means that all of the provisions of our Franchise Agreement (Exhibit B-1) and, if applicable, Sublease (Exhibit E) also will apply to your owner(s).

We are a Nevada limited liability company organized on February 10, 2005. Our principal business address is 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154. If we have an agent for service of process in your state, we disclose that agent in Exhibit A. We operate under our company name and the trademarks described in Item 13 and no other name.

We offer franchises for fixed-location retail stores that provide economically-priced, by-the-piece retail dry cleaning and laundry services and operate under our Operating Plans (defined below) and the name "CD One Price Cleaners®" and other Proprietary Marks (defined below). We call these stores "CD Stores" and call the CD Store that you will operate under our Franchise Agreement the "Store." CD Stores use technical information and expertise relating to the store layout and design, trade dress, cleaning methods and procedures, customer service practices, and business formats and methods; exterior and interior design, décor, fixtures and furnishings; standards and specifications for services, products and supplies that CD Stores use and/or sell; service standards; specifications and procedures for operations; training; and advertising and promotional programs, some or all of which constitute trade secrets, and all of which we may change, improve, further develop and otherwise modify periodically (collectively, "Operating Plans"). We identify CD Stores by certain trade names, service marks, trademarks, logos, emblems and indicia of origin ("marks") that we periodically designate. We call the marks you will use in operating the Store, including "CD One Price Cleaners®," as we may periodically add to, amend and replace them, the "Proprietary Marks."

We have offered franchises for CD Stores since July 2005. We have never operated a CD Store, have no other business activities, and have never offered franchises in any other line of business. Z&K Venture, Inc. ("Z&K") is our affiliate who, at your option, may sell you the Store's equipment package for a newly-developed or relocated CD Store. Z&K has never offered franchises in any line of business or operated CD Stores. 417 17th Avenue North, LLC ("417") is a special-purpose affiliate who operates an existing CD Store, and if you buy that CD Store, it will sign the Asset Purchase Agreement with you. 417 has operated its CD Store since October 2013 and has never offered franchises in any line of business. All of our affiliates' principal business addresses are the same as our address. We have no predecessors or parents.

Franchising Program

All franchisees who receive this disclosure document will sign our Franchise Agreement to operate a CD Store if we and you decide to move forward. If you currently operate your Store under a franchise agreement with us that is about to expire, then you will sign the Franchise Agreement and the Renewal Addendum (Exhibit B-2) together with the Franchise Agreement. If you are signing the Renewal Addendum, we will defer your obligation to upgrade the Store until 60 days after receiving our notice. Once we notify you of the required upgrades and improvements, you must upgrade the Store to reflect, among other things, the new programs and initiatives that we are implementing for the network, as described below.

We are currently testing various new programs and initiatives for the CD Store network to address competitive pressures in the market. These new programs and initiatives might include residential pickup and delivery options, non-residential pickup and delivery options, corporate office programs, cleaning services for new items, alterations, new pricing models (including subscription models), lockers, merchandising displays, interior and exterior signage and other upgrades, and rebranding/refreshing for existing CD Stores and potentially new brands. Although we have not yet finalized our final plans for these new programs and initiatives, including for some of them whether we decide to move forward with the program or initiative at all, if you sign a Franchise Agreement, you will need to implement these new programs and initiatives at the Store when we finalize them.

One of these new initiatives that we have developed is our satellite store program. Previously, we only granted franchises for CD Stores that contain dry cleaning machines, pressing equipment and related equipment that we specify (collectively, the “Dry Cleaning Equipment”) and offered on-premises dry cleaning at the CD Store. We call these CD Stores “Plant Stores.” Recently, in response to franchisee requests, we developed a model for CD Stores that do not contain Dry Cleaning Equipment, but instead rely on a nearby Plant Store for dry cleaning, related processing and other production and management support. We call these CD Stores “Satellite Stores.” Satellite Stores will collect garments from and return garments to customers. Because the Satellite Store is dependent upon, and must work together with, the Plant Store, the Plant Store franchisee (the “Plant Store Operator”) must be an affiliate of the Satellite Store franchisee (the “Satellite Store Operator”). If we grant you a franchise to develop and operate a Satellite Store, we and you will sign the Franchise Agreement and the Satellite Store Addendum (Exhibit B-3) together with the Franchise Agreement. We and the Plant Store Operator also will sign an amendment to the Franchise Agreement for the Plant Store under which we will exclude from the Plant Store’s gross revenue the amounts that the Satellite Store Operator pays to the Plant Store Operator for dry cleaning and other production services provided to the Satellite Store Operator or the Satellite Store (the “Satellite Store Services Revenue”), but only if that Satellite Store Services Revenue is included in the Gross Revenue of the Satellite Store. This disclosure document describes some differences between Plant Stores and Satellite Stores, but unless we specify otherwise, a CD Store refers to either a Plant Store or a Satellite Store. We currently do not intend to build or grant franchises for new Plant Stores, although our plans could change depending on the new initiatives we are testing.

If you are buying a CD Store from our affiliate, you and the affiliate typically will sign the "Letter of Intent" (Exhibit C-1) to begin the sales process. The Letter of Intent specifies the intended purchase price for the Store's assets, assuming the transaction closes on the date projected in the Letter of Intent. After signing the Letter of Intent you must use your good faith best efforts to secure a financing commitment letter before the deadline specified in the Letter of Intent. If you obtain the financing commitment letter before the deadline and we, our affiliate and you decide to move forward, then we and you will sign the Franchise Agreement before you begin training. Our affiliate and you also will then sign our Asset Purchase Agreement (Exhibit C-2) ("Asset Purchase Agreement") under which you will agree to buy, and our affiliate will agree to sell, the Store's assets subject to closing conditions. At the transaction's closing, at our option, you will either sublease the Store's premises from one of our affiliates (it could be the selling affiliate or Cleaners Depot Lease Operations, LLC) under our "Sublease" (Exhibit D) or sign a new lease with the landlord for the Store's premises. If you are unable to finance the Store's entire purchase price, then our affiliate may (but is not required to) assist with that financing. If it does, you would sign the "Promissory Note" (Exhibit G-1), "Security Agreement" (Exhibit G-2), and "Confession of Judgment" (Exhibit G-4), and your owners (if you are a business entity) would sign the "Personal Guaranty" (Exhibit G-3).

Market, Competition and Regulations

The market for retail dry cleaners is well developed and established, particularly in urban areas. You will compete with other independently-owned, franchised and chain dry cleaning and finished laundry service providers, including those that offer delivery services. Your competition also includes home laundry facilities, certain laundromats providing these services and do-it-yourself dry cleaning products sold for in-home use, as well as other dry cleaning stores. New laundry pickup and delivery models also compete for a CD Store's customers.

The U.S. Environmental Protection Agency and various state and local environmental agencies have issued air quality and other regulations specific to dry cleaners which may require your Store to install pollution control equipment, obtain a permit, and comply with various good housekeeping, monitoring, recordkeeping, reporting and leak detection and repair requirements. You may also have to comply with federal, state and local wastewater treatment requirements. You must also comply with other laws, rules and orders of any governmental authority applicable to retail businesses generally. You should investigate these laws.

Item 2

BUSINESS EXPERIENCE

Chief Executive Officer: Rafiq Karimi, Jr.

Mr. Karimi has been our Chief Executive Officer since our formation in February 2005. He has also been Chief Executive Officer of Cleaners Depot, LLC and its predecessors and affiliated companies in Houston, Texas and Westchester, Illinois since May 2000.

President: Rafiq Karimi, Sr.

Mr. Karimi has been our President since our formation in February 2005. He has also been President of Cleaners Depot, LLC and its predecessors and affiliated companies in Houston, Texas and Westchester, Illinois since May 2000. He has also been President of Z&K in Houston, Texas and Westchester, Illinois since May 2000.

Vice President of Store Marketing: Jonathon Reckles

Mr. Reckles has been our Vice President of Marketing since February 2022. He was our Director of Store Marketing from February 2017 until February 2022.

Vice President of Franchise Development: Thomas K. Ryan

Mr. Ryan has been our Vice President of Franchise Development since January 2006. He was our Franchise Development Representative from November 2005 until January 2006.

Vice President of Operations: Daniel Fitzgerald

Mr. Fitzgerald has been our Vice President of Operations since February 2022. He was our Director of Operations from February 2020 until February 2022 and our Director of Training and Innovation from January 2015 until February 2020.

Director of Growth and Innovation: David Radzialowski

Mr. Radzialowski has been our Director of Growth and Innovation since May 2020. He was the Managing Consultant for Third and 10 Consulting in Oak Park, Illinois from June 2017 until April 2020 and was a Lead Project Manager for CDK Global in Hoffman Estates, Illinois from April 2015 until April 2017.

Item 3

LITIGATION

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

Franchise Agreement

Our current initial franchise fee is \$30,000 for a Plant Store and \$12,500 for a Satellite Store. However, if you sign one of the first 3 Franchise Agreements for a Satellite Store in 2022 and develop and open your Satellite Store on or before December 31, 2022, then you qualify for our "Satellite Store Incentive Program" and your initial franchise fee is \$2,000. Also, we are a member of the International Franchise Association and participate in its "VetFran Program," which encourages companies to provide special financial incentives to qualified veterans. New franchisees who qualify as Veterans pay no initial franchise fee for their CD Stores. A "Veteran" is any person who served in the U.S. Army, Navy, Air Force, Marine Corps, Coast Guard or National Guard and obtained an honorable discharge or release. A business entity franchisee will receive the discount for Veterans if one or more Veterans own at least 51% of the entity's ownership interests. We can change this initial franchise fee structure and discounts in the future. Except as described in this Item, the initial franchise fee is payable in a lump sum and due when you sign the Franchise Agreement.

We will provide our standard training program to 2 individuals associated with your Store at no additional charge. If an additional person associated with your Store wants to attend the initial training program, and there is space available, then we may charge you a fee of \$100 per day for that person to attend training. If any of your personnel who completed the initial training or the owner orientation program wants, or we determine that any of them needs, additional training, then we will charge you \$100 per day for each person attending a regularly scheduled training course. These training fees are not refundable. We describe training in more detail in Item 11. If you or any of your specified personnel do not satisfactorily complete, in our sole judgment, the entire initial training program and/or owner orientation program, as applicable, then, upon our receipt of general release and termination documents in the form that we specify, we will promptly refund 75% of the initial franchise fee. Otherwise, the initial franchise fee is not refundable.

At your option, Z&K will sell you the Store's dry cleaning equipment package for a new or relocated Plant Store. If you choose to buy equipment from Z&K, you must buy the entire equipment package from Z&K. If you buy equipment from Z&K, we expect your non-refundable payments to Z&K for the equipment package will range from \$487,000 to \$587,000.

If you are signing the Franchise Agreement and Renewal Addendum to continue to operate your Store, you will not pay an initial or renewal franchise fee and will not undergo any initial training.

Letter of Intent and Asset Purchase Agreement

If you buy a fully-developed CD Store from our affiliate, you and the affiliate typically will sign the Letter of Intent. The Letter of Intent will list a proposed purchase price for the Store, which we expect to range from \$1,000,000 to \$1,500,000. The purchase price will vary depending on the market in which the Store is located and the Store's size, condition, historical performance and future expectations. The Letter of Intent does not bind us (or our affiliate) or you to consummate the purchase and sale of the Store or a franchise relationship. But, upon signing the Letter of Intent, you must use your good faith best efforts to obtain a binding commitment letter for a loan to finance the purchase price on or before the deadline specified in the Letter of Intent (the "Commitment Letter Deadline").

When you sign the Letter of Intent, you must pay our affiliate a \$10,000 "LOI Deposit." If you qualify for a Franchise Agreement without an initial franchise fee, and if you and our affiliate sign an Asset Purchase Agreement and we and you sign a Franchise Agreement, our affiliate will apply the LOI Deposit towards the purchase price for the Store. If you do not qualify for a Franchise Agreement without an initial franchise fee, and if we and you sign a Franchise Agreement while the Letter of Intent is in effect, we will apply the LOI Deposit towards your initial franchise fee. Our affiliate and you may terminate the Letter of Intent and decide not to move forward with the sale transaction, for any or no reason, at any time before signing the Asset Purchase Agreement and Franchise Agreement. If you obtain a signed commitment letter for financing and are prepared to sign the Franchise Agreement and Asset Purchase Agreement before the Commitment Letter Deadline, and we decide not to sign a Franchise Agreement or our affiliate decides not to sell you the Store, then our affiliate will refund all of your LOI Deposit, without interest. Our affiliate also will refund the entire LOI Deposit (without interest) if it breaches its binding obligations under the Letter of Intent. If our affiliate terminates the Letter of Intent because you fail to obtain a signed commitment letter for financing before the Commitment Letter Deadline, it will refund to you \$5,000 of the LOI Deposit. If the Letter of Intent is terminated for any other reason before we and you sign the Franchise Agreement, then our affiliate may keep the entire LOI Deposit.

If you obtain a commitment letter on or before the Commitment Letter Deadline, and if we, our affiliate and you then decide (at our respective sole options, after continuing the due diligence process) to move forward with the transaction, then at that time we and you would sign the Franchise Agreement and our affiliate and you would sign the Asset Purchase Agreement. The Letter of Intent will terminate automatically upon our and your signing the Franchise Agreement and our affiliate's and your signing the Asset Purchase Agreement. We and you will sign the Franchise Agreement before you begin training, which (unless you or your Affiliated Entity is already a CD Store franchisee) is about 7 weeks before you take over the Store's operation. But our signing the Franchise Agreement is subject to your and our affiliate's closing the sale transaction. We may terminate the Franchise Agreement if our affiliate and you do not close the transaction before the deadline in the Asset Purchase Agreement.

You typically will pay the entire purchase price (less the LOI Deposit if you qualify for a Franchise Agreement without an initial franchise fee) to our affiliate at the closing under the

Asset Purchase Agreement. However, if you request, our affiliate might (if it chooses, at its option) offer to finance part of the Store's purchase price. You then would sign the Promissory Note and related documents at the closing. You also would pay our affiliate ½% of the original principal amount of the Promissory Note as a deposit under the Security Agreement.

Except for the LOI Deposit, none of the initial fees payable under the Letter of Intent, Asset Purchase Agreement or related documents are refundable.

Range of Initial Fees

One franchisee signed a Franchise Agreement to operate a new Satellite Store during 2021 paid us a \$2,000 initial fee under an incentive program.

Item 6

OTHER FEES

Column 1 Type of fee ⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty	Typically 6.5% of Gross Revenues ⁽²⁾ , but first 3 stores under the Satellite Store Incentive Program will pay 3.5% of Gross Revenues for the Satellite Store's first 12 months of operation	Weekly on the day of the week we specify	You might be eligible for a royalty rebate of 1% of Gross Revenues ⁽³⁾ . If you previously developed the Store under our fully-financed program and are signing the Renewal Addendum, your royalty will remain 8% of Gross Revenues
Marketing Fund	3% of Gross Revenues ⁽²⁾	Weekly on the day of the week we specify	We may change contribution, but it will not exceed 3% of Gross Revenues.
Cooperative advertising ⁽⁴⁾	Amount advertising Cooperative members establish, up to 2% of Gross Revenues ⁽²⁾	As advertising Cooperative members establish	We may form an advertising Cooperative in your area. Contribution levels are subject to our approval
Late payment interest	18% of the overdue amount, calculated daily, or the maximum rate the law allows, whichever is less	As incurred	

Column 1 Type of fee ⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Additional ongoing training	Currently \$100 per person per day, but could increase if our costs increase	Upon completion of training session	Payable if you or your personnel attend a scheduled training class that has availability
Bookkeeping services	Currently \$460 per month, but could increase if costs increase	Monthly	If our affiliate provides financing for your Store then it may (at its option) provide bookkeeping services for your Store
Transfer fee	For control transfers, \$3,500 if transferee is a CD Store franchisee or you introduce transferee to opportunity, \$7,500 in other cases, plus training fee (currently \$100 per person per day); \$1,000 for transfers of non-controlling ownership interest	Before transfer. You must pay to us a non-refundable initial payment of \$1,000, with the balance of the transfer fee due at closing.	No fee required for a transfer to a business entity you own and control or for a transfer upon death or mental incapacity to an approved third party.
Relocation fee	\$7,500	At the time you submit a relocation request package	Fee only refundable if we do not approve your relocation request
Failure to maintain Store premises	\$500 per day administrative fee	As incurred	Fee payable only if you fail to maintain Store premises
Costs and attorneys' fees	Will vary under circumstances	As incurred	Payable if you fail to comply with Franchise Agreement or other agreements
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and related parties for all losses, costs, and expenses incurred from your operation of the Store
Audit expenses	Cost of audit and interest	As incurred	Due only if our audit reveals an understatement of 2% or more

Column 1 Type of fee ⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Special marketing, management, and operational assistance performed at your request	Reasonable fee, currently \$80 per hour, plus expenses	As incurred	If, at your request, we agree to provide you with special assistance, we may charge a reasonable fee plus expenses
Securities offering	\$10,000	At the time offering materials are submitted to us for review	If you are a business entity franchisee, you must obtain our approval before offering securities for sale
Reimbursement of amounts paid on your behalf	Our costs	15 days after billing	You must reimburse us for any amounts we pay on your behalf
Supplier testing	Cost of testing	As incurred	This covers the cost of inspecting new suppliers that you propose
Insurance	Cost of premiums plus our costs and expenses	As incurred	Payable if you fail to maintain required insurance and we elect to do so for you
Management fee	Up to 8% of Gross Revenues, plus costs and expenses	As incurred	Due if we manage your Store upon abandonment, default, expiration or termination
Post termination enforcement costs	Our costs	As incurred	You must pay us for any attorneys' fees and other costs we incur in enforcing your post-termination obligations under the Franchise Agreement
Loan repayments under Promissory Note	Specified in Promissory Note; ranges from approximately \$750 to \$25,000 per month	Monthly	Payable to our affiliate only if it provides financing for the purchase of your Store
Deposit reimbursement under Security Agreement	Amount we deduct for your liabilities	As incurred	If you sign the Security Agreement and our affiliate uses some of your cash deposit to offset liabilities, you must replenish the deposit

Column 1	Column 2	Column 3	Column 4
Type of fee ⁽¹⁾	Amount	Due Date	Remarks
Sublease occupancy costs ⁽⁵⁾	Specified in the prime lease; about \$5,500 to \$8,500 per month plus common area maintenance charges (See Note 5)	Monthly in advance	Payable to our affiliate only if you buy the affiliate's CD Store and it subleases property to you or if you acquire a store owned by another franchisee that is on a Sublease and we agree to continue acting as the Sublandlord.

You will pay fees under the Franchise Agreement to us. You will pay fees under the Promissory Note, Security Agreement and Sublease to our affiliate who finances the Store's purchase price or subleases the Store to you.

Explanatory Notes

Note 1: All fees, unless otherwise specified, are uniform and imposed and collected by, and payable to, us. All fees are non-refundable, unless otherwise specified. We may require you to pay all amounts owed to us or our affiliates by electronic fund transfer, preauthorized auto-draft arrangement ("EFT"), or any other method we periodically specify. You must sign the EFT Authorization Documentation attached to the Franchise Agreement and other documents we periodically specify to implement any EFT or other payment method.

Note 2: "Gross Revenues" means revenue from the sale of all products and services and all other income or consideration of every kind and nature that you or the Store receives, including all revenues associated with delivering and/or selling products or services off-premises to customers and any proceeds from business interruption insurance, whether for cash, credit, charge account, debit account, exchange, barter or otherwise, and regardless of collection, less (a) any sales taxes and other taxes you collect from your customers and pay directly to the appropriate taxing authority, and (b) any customer discounts or refunds.

Note 3: For any fiscal 6-month period (January through June or July through December), or any part of a 6-month period if the Franchise Agreement's term begins or ends during that period (each a "Period"), if you have: (a) timely paid all amounts owed to us and our affiliates, whether under the Franchise Agreement or any other agreement; (b) used only approved advertising and marketing materials according to the Franchise Agreement; (c) timely submitted to us and our affiliates all required records and reports (except as we describe below for a Reporting Default (defined below) that you cure); and (d) not received written notice from us or any of our affiliates of any default under the Franchise Agreement or any other agreement, then you will receive a credit against future royalty fees equal to 1% of the Gross Revenues for this Period (the "Rebate Credit"). We calculate and apply the Rebate Credit on each September 1 and

March 1, based on the Gross Revenues for the prior Period, and reduce royalties payable for the weeks following this calculation until the Rebate Credit is reduced to zero.

You may receive these rebates only if you and all of your affiliates are eligible to receive the rebate for all CD Stores that you and they operate (together with the Store that you operate, collectively, the "Affiliated Stores"). If you and/or any of your affiliates fails to submit to us any annual financial statements, tax returns, or accurate certificates of insurance when due under the applicable franchise agreement (a "Reporting Default") on any one occasion (regardless of the number of Affiliated Stores to which that Reporting Default relates), but cures that Reporting Default to our reasonable satisfaction within 10 days after we deliver written notice of the Reporting Default to you and/or the applicable affiliate, then that Reporting Default will not by itself render you and your affiliates ineligible for the Rebate Credit for the Period during which that Reporting Default occurs. However, if you and/or any of your affiliates suffers a second Reporting Default on another occasion during that Period, or fails to satisfy any of the other conditions in (a) through (d) above at any time during that Period, then you and your affiliates are ineligible for the Rebate Credit for that Period for all Affiliated Stores.

When the Franchise Agreement terminates or expires, we will pay you for any Rebate Credit due, payable on the next September 1 or March 1 following the Franchise Agreement's expiration or termination, based on the Gross Revenues for the prior Period, unless we terminate the Franchise Agreement for any reason. But if you are signing the Franchise Agreement and Renewal Addendum to continue to operate your Store, we will calculate the Rebate Credit under your old and new franchise agreements as if no new agreement were signed. A fiscal month ends on the last Friday of the calendar month and begins on the first Saturday following the last Friday in a calendar month.

Note 4: We may designate a geographic area in which 2 or more CD Stores are located as an area for an advertising cooperative (a "Cooperative"). The Cooperative's members are the owners of all CD Stores operating in the area, including us and our affiliates, if applicable. All material decisions of the Cooperative, including contribution levels (which also require our approval), will require the affirmative vote of 51% of all CD Stores operating within the Cooperative's area (including those that we and our affiliates operate, if applicable), with each store receiving one vote. There are currently no advertising cooperatives in the CD Store network.

Note 5: Rent payable under the Sublease includes (a) the base rent payable under the prime lease plus, at our affiliate's option, a lease administrative fee of up to \$500 each month, (b) any percentage rent under the prime lease, and (c) all other charges payable under the prime lease, like taxes, insurance, deposits, common area maintenance of operating charges, dues and chargebacks. If our affiliate seeks to assign the prime lease to you, and the prime landlord consents to the assignment but does not release our affiliates from all liability under the prime lease, then at our affiliate's option you must pay the affiliate each month 10% of the monthly base rent due under the prime lease during the period after the assignment and while our affiliate still has liability under the prime lease.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of expenditure	Column 2 Amount for Plant Store	Column 3 Amount for Satellite Store	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Franchise fee ⁽¹⁾	\$30,000	\$12,500 (but see Note 1)	Lump sum or installments	Upon signing your Franchise Agreement	Us
Travel and living expenses while training ⁽²⁾	\$200 to \$7,000	\$200 to \$500	As arranged	As incurred	Suppliers of transportation, food and lodging
Real estate services and costs (including 3 months' occupancy costs and security deposit) ⁽³⁾	\$32,000 to \$44,000	\$10,000 to \$20,000	As arranged	As specified in lease or sublease	Lessor or sublessor
Advertising ⁽⁴⁾	\$10,000 to \$15,000	\$10,000 to \$15,000	Lump sum	Before opening	Us
Start-up inventory, supplies and store set-up	\$37,500 to \$42,500	\$5,000 to \$10,000	Lump sum	Before opening	Suppliers
Construction, leasehold improvements and decorating costs ⁽⁵⁾	\$115,000 to \$155,000	\$20,000 to \$30,000	Installments	Before opening	General contractor and suppliers
Fixtures, fixed assets and equipment ⁽⁶⁾	\$525,000 to \$610,000	\$10,000 to \$50,000	Lump sum	Before opening	Z&K or other suppliers
Equipment installation and set-up	\$57,500 to \$67,500	\$5,000 to \$10,000	Lump sum	Before opening	General contractor and suppliers
Security Camera	\$4,000 to \$6,750	\$2,000 to \$4,000	Lump sum	Before opening	Supplier
Signage (building and window box sign and striping)	\$17,000 to \$29,000	\$7,500 to \$15,000	Lump sum	Before opening	Suppliers

Column 1 Type of expenditure	Column 2 Amount for Plant Store	Column 3 Amount for Satellite Store	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Computer System and initial software license fee ⁽⁷⁾	\$30,000 to \$37,000	\$10,000 to \$22,500	Lump sum	Before opening	Suppliers
Ongoing software maintenance and support ⁽⁸⁾	\$4,750 to \$5,500	\$3,000 to \$5,500	As arranged	Annually	Suppliers
DSL or cable internet connection and email fee for 3 months	\$225 to \$450	\$225 to \$450	As arranged	As incurred, typically monthly	Suppliers
Uniforms	\$1,300 to \$1,700	\$250 to \$500	Lump sum	See Item 5	Suppliers
Insurance ⁽⁹⁾	\$8,000 to \$18,000	\$5,000 to \$10,000	As arranged	Before opening	Insurance company
Licenses and permits	\$3,500 to \$6,000	\$100 to \$3,000	Lump sum	Before opening	Requiring government entity
Utilities for 3 months, including any security deposits	\$6,000 to \$12,000	\$2,000 to \$4,000	As arranged	As incurred	Utility company
Legal fees and other miscellaneous opening costs	\$5,500 to \$16,000	\$5,500 to \$16,000	As arranged	As incurred	Suppliers
Additional funds for 3 months ⁽¹⁰⁾	\$55,000 to \$70,000	\$15,000 to \$30,000	As arranged	As needed	Us, employees or suppliers
TOTAL ESTIMATED INITIAL INVESTMENT ⁽¹¹⁾	\$942,475 to \$1,173,400	\$123,275 to \$258,950			

Explanatory Notes:

Note 1: We describe our current policy for reducing initial franchise fees for Satellite Stores under the Satellite Store Incentive Program in Item 5. Item 5 contains more information about the initial franchise fee and the conditions for its refund. If you are signing the Franchise Agreement and Renewal Addendum to continue to operate your Store, you will not pay an initial or renewal franchise fee.

Note 2: This estimate includes the expenses of transportation to the training facility in Illinois or to your affiliate's Plant Store (if you are developing a new Satellite Store). If we

extend the training period, you would also incur additional lodging and meal expenses. Some of the training will include online learning platforms. You will access this online learning at the training facility and from your own computer outside the training facility.

Note 3: This estimate includes costs related to site evaluation, selection, lease negotiation, and 3-months' occupancy costs for the Store. Your rent will depend on geographic location, size of the Store's premises, local rental rates, businesses in the area, site profile, and other factors. Plant Stores typically occupy approximately 2,800 to 3,200 square feet of space and typically are located in high-traffic urban and suburban areas. We estimate that monthly occupancy costs for Plant Stores will range from \$6,000 to \$9,000 but could be higher in certain urban markets. The security deposit typically is 1 month's rent and is refundable if you comply with the lease during its term. Satellite Stores typically occupy 800 to 1,200 square feet of space, but may be larger and are typically located in high-traffic urban and suburban locations. We estimate that monthly occupancy costs for Satellite Stores will range from \$2,500 to \$4,000 per month but could be higher in certain urban markets.

Note 4: This item includes new store advertising expenses for promotional handouts, direct mail, printed materials included in multi-piece mailings and giveaways, banner and radio advertisements.

Note 5: Leasehold improvements must conform to our standard specifications. For Plant Stores, this estimate assumes that the landlord contributes \$80,000 towards leasehold improvements, in addition to the other work that any landlord work letter contemplates the landlord will perform at its expense, which is consistent with our affiliates' and our franchisees' experiences, especially when signing long-term leases. This item reflects only the costs that you are likely to pay in addition to the landlord's tenant improvement allowance and the value of work completed under the landlord work letter. You will pay more for leasehold improvements and decorating costs if your landlord does not contribute \$80,000 toward leasehold improvements or the value of the work completed under the landlord work letter is lower than we and our franchisees have experienced. Leasehold improvements for Satellite Stores cost less than they do for Plant Stores because the Satellite Store has a smaller space and needs no improvements for garment processing equipment, like additional plumbing, additional ventilation equipment, an automated garment conveyor, additional lighting and additional utility capacity. The estimates for Satellite Stores assume no landlord contribution towards leasehold improvements.

Note 6: This item includes the Dry Cleaning Equipment, laundry and other equipment for Plant Stores. Your Satellite Store will not have Dry Cleaning Equipment or laundry equipment. For Satellite Stores this item also includes the initial leasing costs for a vehicle to transport garments between your Satellite Store and the nearby Plant Store on the low end, and the costs to buy that vehicle on the high end.

Note 7: The "Computer System" means the communications and computer systems, including the computer-based back office and point-of-sale components, dedicated telephone and power lines, modems, printers, credit card terminals and other hardware and operating software (including Payment Card Industry ("PCI") compliance software) that we specify. This amount

includes an optional server cabinet. Satellite Stores will have fewer customer counters and workstations than a Plant Store.

Note 8: This item covers antivirus software and the first year of software maintenance and support, and PCI compliance software and optional cellular broadband service.

Note 9: This item estimates the premium payments due in the first 3 months of operation for the required insurance policies. Plant Stores must maintain environmental pollution insurance. Satellite Stores are smaller, have fewer employees and are not required to maintain environmental pollution insurance.

Note 10: This estimates your initial start-up expenses for the first 3 months of operation, not including those expenses identified separately in the table. These expenses include amounts for payroll, but not any draw or salary for you. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The amount of working capital you need will depend on a number of factors. These factors include how closely you follow our methods and procedures, your management skill, experience, and business acumen, local economic conditions, the local market for dry cleaning and finished laundry services, the prevailing wage rate, competition, and the sales level that the Store reaches during its initial period.

Note 11: We relied upon our Chief Executive Officer's and President's experience in developing and operating dry cleaning businesses and in the dry cleaning industry since 1984 in compiling these estimates, including the estimate for additional funds. You should review them carefully with a financial advisor before making any decision to purchase the franchise. Unless otherwise specified, the amounts that this table describes are not refundable.

Except as described in this Item, neither we nor our affiliates will offer financing for any part of your initial investment. The figures reflected in this table do not include any finance charge, interest, or debt service obligation. The availability and terms of financing depend on many factors, including the availability of financing generally, prevailing interest rates, your creditworthiness and collateral, and lending policies of financial institutions.

If you buy a fully-developed CD Store from our affiliate, the purchased assets include, and the purchase price covers, some of the items and expense categories listed in the table, such as inventory and supplies; construction, leasehold improvements and decorating costs; fixtures, fixed assets and equipment; installation and set-up; signage; Computer System components and related fees; and uniforms. The purchase price also would compensate our affiliate for the Store's going concern value and risk in developing the Store, which are not reflected in the table. Some of the other costs in the table, like the training expenses, insurance costs, licenses and permit expenses, utility costs and additional funds covering the period after the Store's opening, still apply if you acquire a CD Store from our affiliate. If our affiliate decides to offer an existing fully-developed store, we expect the purchase price for this existing CD Store to range from \$1,000,000 to \$1,500,000.

In some cases, our affiliate will offer to finance part of the purchase price for a CD Store it sells you. You then will sign the Promissory Note evidencing your obligation to repay the principal loan amount, which we expect to range from \$50,000 to \$1,125,000 (or from about 5% to 75% of the total purchase price), together with interest at a rate that our affiliate specifies, up to 12% per year. You will repay the loan in monthly installments over a period to which our affiliate and you agree, which typically is from 5 to 7 years, but might be 10 years in some cases.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

You must purchase all Operating Assets (defined below) and other products, supplies and services for the Store solely from suppliers (including manufacturers, wholesalers and distributors) who demonstrate, to our continuing satisfaction, the ability to meet our standards and specifications for these items and for the supplier's business operations; who possess adequate quality controls and capacity to supply your needs promptly and reliably; and whom, if we require, we have approved in our confidential operating manual (the "Manual") or otherwise in writing. These suppliers might include or be limited to us or our affiliates. You also must buy products and services from approved suppliers according to any payment and other terms (like automatic debit arrangements) that we or they periodically specify. "Operating Assets" means all fixtures, furnishings, dry cleaning and other equipment, Computer System, décor and signs that we periodically specify.

We may periodically modify the list of designated and approved suppliers and may designate ourselves or an affiliate as a designated or approved supplier of certain products and services. We may designate or approve a single supplier for any products or services and may designate or approve a supplier only as to certain products or services, and our approval may be temporary pending our further evaluation. We may concentrate purchases with one or more suppliers to obtain lower prices, advertising support and/or services for the benefit of the CD Store network, or for any other reason that we deem appropriate. In that case, we may limit the number of suppliers with whom you may deal, designate sources that you must use (which might include or be limited to us or our affiliate), and/or refuse your request for another approved supplier of any applicable product or service.

If you desire the approval of other suppliers, you must submit to us a written request to approve the proposed supplier, together with the evidence of conformity with our standards and specifications as we may reasonably require. We may inspect and evaluate the supplier's facilities and business operations and test the item to be supplied, and you must pay all of our reasonable expenses. We will provide you our general criteria for approving suppliers at your request, but we may approve or disapprove new suppliers in our sole judgment. We will notify you of our approval or disapproval of a proposed supplier within a reasonable period of time (typically 30 days) after we receive the information we request. We may revoke our approval at any time if we determine, in our sole judgment, that the supplier no longer meets our standards.

Upon receiving our notice, you must immediately stop purchasing from any disapproved supplier.

If you sign the Asset Purchase Agreement then you will buy the Store's assets from, and (at our option) we may require you to sublease the Store's premises from, our affiliate. If our affiliate provides any financing for your Store, then at our option, you must engage us, our affiliate or a designated service provider to provide bookkeeping services. At your option, Z&K will sell you the Dry Cleaning Equipment package for a new or relocated Plant Store. There currently are no other goods or services for the Store that you must buy or lease from us or one of our affiliates or for which we or one of our affiliates is an approved supplier or the only approved supplier. None of our officers owns any interest in any suppliers to the franchise system except Z&K and our other affiliates.

You must use an architect that we approve to design the Store and a general contractor that we approve to oversee the Store's development or relocation. You currently must acquire the Computer System only from our designated suppliers. You also must use our designated supplier to clean rugs and other non-standard items and an approved insurance broker to acquire insurance for the Store and its operations. Except as described in this Item, there currently are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate or comparable items related to establishing or operating the franchised business that you must buy from us, our affiliates, or designated or approved suppliers. All other products and services that you buy or lease for your Store need to meet our standards and specifications. We issue and modify standards and specifications based on our affiliates' experience in developing and operating CD Stores. Our standards and specifications may impose minimum requirements for delivery, performance, reputation, prices, quality, design, and appearance. Our Manual or other communications will identify our standards and specifications, and we will provide standards and specifications to approved suppliers as needed.

You must present the terms of any lease or sublease for the Store's site to us for our acceptance before you sign it. The lease must contain the terms and provisions that are reasonably acceptable to us. We may require you and the lessor to sign a Rider to Lease and Collateral Assignment to the lease or sublease for the Store attached to the Franchise Agreement. The Rider to Lease and Collateral Assignment revises the terms of the lease and gives us the right (but no obligation) to take over your interest in the lease if you default and contains other provisions to protect us as your franchisor.

We have the right to approve any advertising and promotional plans and materials for your Store.

Collectively, the purchases and leases you make from us or our affiliates, from designated or approved suppliers, or according to our Operating Plans, represent virtually 100% of your total purchases and leases to establish and operate the Store.

We and/or our affiliates may derive revenue based on your and other franchisees' purchases and leases, including from charging for products and services that we and our affiliates provide to you and other franchisees and from promotional allowances, volume discounts and

other payments made to us and our affiliates from suppliers to some or all of our franchisees. We and our affiliates may retain all of this revenue without restriction (unless the supplier requires otherwise). During 2021, neither we nor any of our affiliates received, and we and our affiliates do not currently plan to receive, any payments from suppliers on account of our franchisees' purchases or leases from those suppliers. If we or our affiliates receive these payments in the future, we and they currently plan to pay to franchisees or contribute to the Marketing Fund the portion of those rebates that are based on franchisees' purchases, but we may change these plans at any time.

Our affiliates received \$2,691,555 in revenue during the 2021 fiscal year from providing bookkeeping services and selling or leasing other products and services described in this Item to franchisees. Included in this amount is \$2,663,995 that our affiliates received in rent and related payments from franchisees under subleases for CD Stores. We derive this figure from our affiliates' internally-prepared financial statements. Otherwise, neither we nor our affiliates derived revenue or other material consideration from selling or leasing products or services to franchisees during 2021.

You must maintain the Store's premises (including adjacent public areas) in a clean, orderly condition and in excellent repair in the manner that we periodically specify in the Manual or otherwise in writing. You must make the required additions, alterations, repairs, and replacements to the Store (but no others without our prior written consent), including periodic repainting, repairing and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment and decor as we may reasonably direct. Unless the lease requires it sooner, at any time during or after the 5th year following the Franchise Agreement's effective date, you must, at our request, substantially rebuild and refurbish the Store's premises to conform to the building design, trade dress, color schemes and presentation of the Proprietary Marks in a manner consistent with the then current public image for new or remodeled CD Stores. This might include replacement or renovation of a substantial portion of the Operating Assets, remodeling, redecoration and modifications to existing improvements and equipment and reasonable structural changes. However, your cost for this refurbishment will not exceed \$75,000 if you operate a Plant Store or \$25,000 if you operate a Satellite Store. You must use an approved architect to prepare the plans for these renovations and refurbishment.

If you are signing the Franchise Agreement and Renewal Addendum to continue to operate your Store, instead of remodeling the Store when signing the Franchise Agreement, we will allow you to remodel the Store under the timeframes specified in the Renewal Addendum. Within 60 days after receiving our notice, you must prepare and submit to us for our approval a written plan for implementing the remodeling, upgrades and improvements at the Store according to our Operating Plans (the "Upgrade Plan"). At our option, you must acquire equipment and other products and services only from one or more suppliers that we designate or approve. You must modify the Upgrade Plan as we specify and implement the Upgrade Plan in the form we approve. Your obligations under the Renewal Addendum are independent of, and not subject to, the provisions of the Franchise Agreement described above on rebuilding and refurbishing the Store during the Franchise Agreement's term.

There currently are no purchasing or distribution cooperatives. We and our affiliates may negotiate purchase arrangements with suppliers (including price terms) for franchisees and our affiliates for some required CD Store items. In doing so, we seek to promote the overall interests of the franchise system and our interests as the franchisor. We do not provide material benefits (like renewal or granting additional franchises) to franchisees based on their purchase of particular products or services or use of particular suppliers.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	1.2 and 3 of Franchise Agreement; 4 of Satellite Store Addendum; Rider to Lease and Collateral Assignment; Sublease	1, 6, 7, 8, 10 and 11
b. Pre-opening purchases/leases	1.2, 3 and 6 of Franchise Agreement; 4 of Satellite Store Addendum; Sublease; Asset Purchase Agreement	5, 7, 8 and 10
c. Site development and other pre-opening requirements	3 and 6 of Franchise Agreement; 5 of Satellite Store Addendum	6, 7, 8 and 11
d. Initial and ongoing training	5.3 and 6.8 of Franchise Agreement	6, 7 and 11
e. Opening	3.5 of Franchise Agreement	11
f. Fees	4, 5.2, 5.3, 5.4, 6.4, 6.5, 6.8, 9.2, 9.3, 10.5, 11.7, 12.3, 12.7, 13.5, 14.6, 14.7, 15.4, 18.4 and 23.7 of Franchise Agreement; 3 and 4 of Renewal Addendum; 8 of Satellite Store Addendum; 4 and 7 of Letter of Intent; Article II of Asset Purchase Agreement; 3, 6(d), 8, 11, 14 and 15 of Sublease; 1 to 4 of Promissory Note; 3, 5, 6 and 8 of Security Agreement; Personal Guarantee	5, 6, 7 and 10
g. Compliance with standards and policies/operating manual	6, 8, 9.1 and 11 of Franchise Agreement; 2 of Renewal Addendum; 2 of Satellite Store Addendum; 6 of Security Agreement	8, 11 and 14

Obligation	Section in agreement	Disclosure document item
h. Trademarks and proprietary information	7, 8 and 14 of Franchise Agreement	13 and 14
i. Restrictions on products/services offered	6 of Franchise Agreement; 1 and 2 of Satellite Store Addendum	8 and 16
j. Warranty and customer service requirements	6 of Franchise Agreement	None
k. Territorial development and sales quotas	Not applicable	Not applicable
l. Ongoing product/service purchases	6 of Franchise Agreement	8
m. Maintenance, appearance, and remodeling requirements	6 of Franchise Agreement; 2 of Renewal Addendum; 6 of Satellite Store Addendum; 5(b) and 5(d) of Sublease	None
n. Insurance	10 of Franchise Agreement; 2 of Renewal Addendum; 5(b)(v) of Sublease; 8 of Security Agreement	6, 7 and 8
o. Advertising	9 of Franchise Agreement; 8 of Satellite Store Addendum	6 and 11
p. Indemnification	18.4 of Franchise Agreement; 8(b) and 15 of Sublease; 8 of Security Agreement	6
q. Owner's participation/management/staffing	6, 15 and 16 of Franchise Agreement	15
r. Records and reports	6.13 and 11 of Franchise Agreement; 6 of Security Agreement; 3 of Promissory Note; Personal Guaranty	6
s. Inspections and audits	11.7 of Franchise Agreement; 3 of Promissory Note; Personal Guaranty	6 and 11
t. Transfer	12 of Franchise Agreement; 7 of Satellite Store Addendum; 5(c)(i) and 12 of Sublease; 7.1 of Asset Purchase Agreement	6 and 17
u. Renewal	2.2 of Franchise Agreement	6 and 17
v. Post-termination obligations	14 and 15.3 of Franchise Agreement; 6 of Sublease; 5 of Security Agreement	17
w. Non-competition covenants	15 of Franchise Agreement	17

Obligation	Section in agreement	Disclosure document item
x. Dispute resolution	23 of Franchise Agreement; VII of Asset Purchase Agreement; 6 and 7 of Promissory Note; 12 and 13 of Security Agreement; Confession of Judgment	17
y. Disclaimer of warranties	1.1 of Asset Purchase Agreement	None
z. Limits on amount of other liabilities	3 of Security Agreement; Personal Guaranty	10

Item 10

FINANCING

If you buy an existing CD Store from our affiliate, you typically must obtain third party financing from a bank or other lender (the "Bank") for the majority of the purchase price. If you are unable to finance the entire purchase price through the Bank, then our affiliate that is selling you the Store's assets may, at its option, offer to finance the shortfall. We expect the principal amount that you will finance from our affiliate to range from \$50,000 to \$1,125,000, or from about 5% to 75% of the total purchase price. If your Bank requires, our affiliate would subordinate its loan to your financing with the Bank on reasonable terms. Our affiliate also may (at its option) agree to other terms with the Bank designed to protect the Bank's interests, including the obligation to manage the Store on the Bank's behalf and help the Bank sell the Store if you default in your obligations to the Bank. (Franchise Agreement – Section 14.10)

You and our affiliate will sign the Promissory Note, Security Agreement and Confession of Judgment. If you are a business entity, your owners and their spouses will sign the Personal Guaranty. You will pay amounts owed under the Promissory Note in monthly installments over a period to which you and our affiliate agree, which typically is from 5 to 7 years, but might be 10 years in some cases. (Promissory Note – Section 2) The interest rate is up to 12% per year, but may be lower. You may prepay amounts due under the Promissory Note without penalty. (Promissory Note – Section 2)

If you fail to pay any amounts owed under the Promissory Note or to comply with your obligations under the Promissory Note or related agreements, or if the Franchise Agreement expires or is terminated, our affiliate may, at its option, declare the full amount of the Promissory Note immediately due and payable. The principal balance will then begin to bear interest at the rate of 18% per year or the highest rate then permitted by law, whichever is less. (Promissory Note – Section 4) Our affiliate also may collect reasonable attorneys' fees and all other costs of collection. (Promissory Note – Section 4). We also may then terminate the Franchise Agreement.

Under the Promissory Note, you and any guarantor of the Promissory Note each waive presentment for payment, notice of dishonor, protest, notice of protest and all other demands and

notices that the Promissory Note or related agreements do not specifically require. (Promissory Note – Section 6) Under the Personal Guaranty, the guarantors waive acceptance, notice of acceptance, notice of demand for payment, protest, notice of default and all other notices and legal and equitable defenses, as well as reimbursement and subrogation rights. (Personal Guaranty – Paragraph 3) You also must sign a Confession of Judgment under which you allow our affiliate to enter a judgment against you for the amounts owed under the Promissory Note.

You and our affiliate also will sign the Security Agreement under which you grant the affiliate a security interest in all of the Store's assets (collectively, the "Collateral"). (Security Agreement – Section 2) Under the Security Agreement, you must deposit with our affiliate ½% of the original principal amount of the Promissory Note. This deposit will not bear interest, and our affiliate will not segregate the deposit from its other funds. It may draw on the deposit to repay amounts you owe under the Promissory Note or otherwise, and if it does you must replenish the deposit. (Security Agreement – Section 3) If you default under the Promissory Note or Security Agreement, our affiliate may, at its option, immediately take possession of the Collateral and exercise its other rights and remedies under the Uniform Commercial Code and other applicable law. (Security Agreement – Section 5)

As additional security, under the Promissory Note and Personal Guarantee, you (and your owners) may not create, incur, assume, or otherwise become liable for any liabilities that, individually or in the aggregate, exceed \$100,000. For this restriction, "liabilities" means any indebtedness for borrowed money, notes and accounts payable (including trade payables), and all other liabilities and obligations, whether or not relating to the Store, excluding only liabilities to us and our affiliates under the Franchise Agreement, the Promissory Note, or any other agreement with us or our affiliate and liabilities incurred before you sign the Promissory Note which you disclose to our affiliate. If a husband and wife sign the Promissory Note or Personal Guaranty, the \$100,000 cap applies to both of them together. You and your owners also must periodically provide us and our affiliates information (including financial statements and tax returns) relating to these liabilities and your (and their) financial condition. You and your owners also authorize our affiliate periodically (but not more than twice during any period of 12 consecutive months) to obtain from credit reporting agencies any credit reports or other information relating to your and their credit histories. (Promissory Note – Section 3; Personal Guaranty – Paragraph 2)

Under the Promissory Note and Security Agreement, you waive any right to a jury trial and punitive damages. (Promissory Note – Section 8; Security Agreement – Section 12) Except as described above, the Promissory Note, Security Agreement and Personal Guaranty contain no provisions waiving your legal rights or barring any defenses.

While there is no current program under which our affiliates will assign their rights under the Promissory Note, Personal Guaranty or Security Agreement to a third party, they may do so in the future. If they do, you may lose certain defenses. Except as disclosed here or in Item 6, neither we nor an affiliate receives payments or other consideration from third party lenders for the placement of financing.

Item 11

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

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

Before you open the Store, we (or our affiliate) will:

1. Accept a site for the Store that meets our requirements. In determining whether to accept a site you propose, we typically consider factors like demographics; traffic count; parking; ingress and egress; character of neighborhood; competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We typically will accept or reject a location you propose within 15 days after receiving the complete site report and other materials we request. We and you will not sign the Franchise Agreement until you have proposed and we have accepted the site for the Store. (Franchise Agreement – Section 1.2)

2. Accept a lease for the Store's site that meets our requirements. The lease must contain the provisions we periodically specify to protect our interests as your franchisor. We will use commercially reasonable efforts to notify you of our acceptance or rejection within 30 days after receiving the proposed lease. You and the landlord must sign our Rider to Lease and Collateral Assignment (Exhibit B to the Franchise Agreement) which modifies certain terms of the lease and under which we have the right, but not the obligation, to assume the lease upon your default. You must sign a lease for the Store in a form that we have accepted within 30 days after signing the Franchise Agreement. Promptly after signing the lease, you must obtain all zoning classifications and clearances needed for the Store's development. You must obtain all permits, licenses and certifications for the Store's lawful construction, operation and occupancy. (Franchise Agreement – Sections 1.2, 3.1 and 6.10)

3. Provide you mandatory and suggested specifications and sample layouts for a CD Store, including requirements or recommendations (as applicable) for a CD Store's design, decor and Operating Assets. These specifications and sample layouts might not reflect the requirements of any federal, state or local law, code or regulation, including those arising under zoning regulations, environmental laws and regulations, other applicable ordinances, building codes or permit requirements, or any lease requirements or restrictions. It is your responsibility to prepare all required construction and remodeling plans and specifications to suit the Store and to make sure that they comply with the Americans with Disabilities Act (the "ADA") and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. You must use the architect we specify to design the Store and our designated general contractor to oversee the Store's development. You also must submit to us for our approval all construction and remodeling plans and specifications before beginning build-out for your Store and all revised or "as built" plans and specifications as they are prepared during construction and development. Our review is limited to ensuring your compliance with our design requirements and Operating Standards. Our review is not designed to assess compliance with federal, state, or local laws and

regulations, including the ADA, as compliance with these laws is your responsibility. We may, but have no obligation to, periodically inspect the Store's site during its development. (Franchise Agreement – Section 3.2)

4. As discussed in Item 8, identify the Operating Assets, supplies and other products and services that you must use to develop and operate the Store, the minimum standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease items and services. We currently do not provide items directly, but Z&K may sell you the Store's equipment package. We also will provide names of approved suppliers for some items. Our Manual provides specifications for some items. We do not deliver or install any items, unless Z&K to sells you the Store's equipment. (Franchise Agreement – Sections 3.2, 3.3, 6.1, 6.3 and 6.4)

5. Sell you the assets of an existing CD Store that our affiliate owns if you are buying that Store. (Asset Purchase Agreement). Our affiliate also might finance some or all of the purchase price under certain circumstances. (Promissory Note) Our affiliate also will sublease the Store's premises to you. (Sublease) We and our affiliates generally do not own the Store's premises or lease (or sublease) them to franchisees unless you are buying the Store from our affiliate.

6. Provide you access to one copy of the Manual. The current table of contents for the Manual is Exhibit F and reflects that the Manual has 38 pages. (Franchise Agreement - Section 5.1)

7. Develop the Store's initial grand opening advertising and marketing program. (Franchise Agreement - Section 9.2) We describe this program later in this Item.

8. Provide training for you or your Designated Principal and other Store personnel we specify in the operation of a CD Store. (Franchise Agreement - Sections 5.2 and 6.8) We describe this training later in this Item.

During your operation of the Store, we (or our affiliate) will:

1. Provide continuing advice to you in the marketing, management and operation of the Store as we deem appropriate, at the time(s) and in the manner we determine. If you request and we agree, we will provide assistance in addition to our customary assistance and may charge you a reasonable fee. (Franchise Agreement – Sections 5.2 and 5.4.)

2. Continue to provide access to the Manual. Subject to your confidentiality obligations, we will provide you access to one copy of the Manual during the Franchise Agreement's term. We may periodically revise the Manual to incorporate changes to the Operating Plans and our other brand standards and specifications. You must promptly implement any changes and must complete their implementation within the time we specify. We may also make available to you other materials as a convenience and do not make any representation or warranty as to the currency or accuracy of the contents of these materials. It is your sole responsibility to comply with all applicable laws in operating the Store.

At our option, we may post the Manual on our restricted extranet website to which you and certain of your employees that we designate will have access. If we do so, you and these employees must sign the agreement(s) that we periodically specify pertaining to the use of the website and must monitor the website for any updates to the Manual. Any passwords or other digital identifications necessary to access the Manual on the website are part of confidential information.

Any materials, guidance or assistance that we provide on employment-related policies or procedures, whether in the Manual or otherwise, are solely for your optional use. These materials, guidance and assistance do not form part of the mandatory Operating Plans. You must determine to what extent, if any, these materials, guidance or assistance might apply to the Store's employees. We neither dictate nor control labor or employment matters for franchisees and their employees and we are not responsible for the safety and security of Store employees or patrons. (Franchise Agreement – Section 5.1)

3. Issue and modify Operating Plans for CD Stores. We periodically may modify Operating Plans, and these modifications might require you to incur higher operating costs. (Franchise Agreement - Section 6.3; Satellite Store Addendum – Section 2)

4. Let you use our confidential information. (Franchise Agreement - Section 8)

5. Let you use our Proprietary Marks. (Franchise Agreement - Section 7)

6. Periodically and at our option offer refresher training courses. (Franchise Agreement – Sections 5.2 and 6.8)

7. Maintain and administer a formal marketing fund (the "Marketing Fund"). (Franchise Agreement – Section 9.3) We describe the Marketing Fund below.

8. At our option, maintain and administer one or more websites to advertise, market and promote CD Stores and the products and services that they offer and sell (each a "System Website"). (Franchise Agreement – Section 9.4) We describe the System Website below.

9. If our affiliate provides any financing for your Store, then at our option provide bookkeeping services. (Security Agreement – Section 6)

Training

Before opening the Store, you (or, if you are a business entity, your Designated Principal) and those employees we specify must attend and complete to our satisfaction our standard store manager initial training program. If you are opening a Satellite Store, you are already familiar with most store operational processes and the POS system, so our training will focus more on transportation logistics between the Satellite Store and the Plant Store. Joanna Vasquez, our Training Manager, currently supervises both training programs. Ms. Vasquez has over 3 years of experience in dry cleaning store operations and has worked for us or our affiliates for over 3 years. We currently provide most of the training at our corporate headquarters in Westchester,

Illinois, a CD Store in Illinois, or via online training. We use the Manual and other written classroom guides as training materials. We have not made any material changes to our training program because of the COVID-19 pandemic.

Our current standard store manager initial training program for Plant Stores consists of a 2-week training program on store manager operations and a 2-week training program on production management. Our current standard initial training program for Satellite Stores consists of a 2-day training program covering transportation and related issues. We provide our initial training program for up to 2 persons at no additional charge, but may charge a fee for additional people attending the initial training program, or any subsequent training, and/or for people who previously completed the initial training program and want additional training. You also must pay all other expenses incurred during any training program, including the costs of transportation, lodging, meals, and any compensation due to your personnel. We provide our owner orientation training program free of charge, but you must pay all other expenses incurred during the owner orientation training program, including the costs of transportation, lodging and meals.

We may terminate the Franchise Agreement if we conclude that you or your personnel attending training do not appear to possess the skills necessary to properly operate the Store.

We plan to be flexible in scheduling training. There currently are no fixed (i.e., monthly or bi-monthly) training schedules for these programs. We provide these training programs before the estimated Store opening date.

PLANT STORE TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Operating Procedure	5	24	CD Store in Illinois or online
Opening and Closing Procedure	3	12	CD Store in Illinois or online
Safety/Security/OSHA	3	6	CD Store in Illinois or online
Daily Paperwork	4	10	CD Store in Illinois or online
Weekly Paperwork	3	4	CD Store in Illinois or online
Management Responsibilities	2	16	CD Store in Illinois or online
Equipment Operating Procedure	6	16	CD Store in Illinois or online

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Equipment Maintenance Procedure	3	6	CD Store in Illinois or online
Customer Relations	2	5	CD Store in Illinois or online
Personnel	4	6	CD Store in Illinois or online
Finance and Accounting	3	8	CD Store in Illinois or online
Training	6	20	CD Store in Illinois or online
Risk Management	2	3	CD Store in Illinois or online
Marketing	1	3	CD Store in Illinois or online
TOTALS:	47	139	

SATELLITE STORE TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Operating Procedures	0	4	CD Store in Illinois or online
Driver Procedure	0	4	CD Store in Illinois or online
Daily and Weekly Paperwork	0	2	CD Store in Illinois or online
Management Responsibilities	0	2	CD Store in Illinois or online
Customer Relations	0	2	CD Store in Illinois or online
Marketing	0	2	CD Store in Illinois or online
TOTALS:	0	16	

Note: We may vary the number of classroom and on-the-job training hours, in our judgment, based upon the experience of you and your personnel. Some of the training may include self-study/online training that you or your personnel can complete at any location. The length of and start times for each training day will vary depending on the subject matter. We

also may reduce the training obligations if you or your affiliate operates a CD Store and/or you are acquiring an operating CD Store.

After the initial training program ends, you (or your Designated Principal or on-premises manager) and your other personnel who completed our formal initial training program may work at an operating CD Store that we specify for one day each week until you open your Store. We do not charge for this additional training, but you and your personnel will not receive any compensation from us or our affiliates.

You (or your Designated Principal) and other employees we designate must attend the additional brand standard training programs and participate in the other training-related requirements we reasonably require, although currently no classroom or on the job training programs are planned. We may charge a fee for required or requested additional training. You must pay all expenses incurred in training programs, including the costs of transportation, lodging, meals and any compensation for participants associated with Store. We currently have an online learning management system. If you hire a new Store manager or production manager for the Store, you must ensure that individual completes the online learning programs and other training-related requirements we specify to our satisfaction within the time period we specify after he or she assumes that position. (Franchise Agreement – Sections 5.2 and 6.8)

Advertising and Marketing

Marketing Fund

We maintain and administer a marketing fund (the "Marketing Fund") to promote CD Stores in the United States. You must contribute to the Marketing Fund the amount that we periodically specify, up to 3% of Gross Revenues. You will pay these contributions to us by separate check or transfer at the same time and in the same manner as the royalty. CD Stores in the United States that franchisees, we or our affiliates own (to the extent we have the right to require these affiliates to do so), will contribute to the Marketing Fund on the same basis as you.

We will direct all programs and activities the Marketing Fund finances, with sole control over the strategic direction, creative concepts, materials and endorsements used and the geographic, market, and all media placement and allocation decisions. We will use the Marketing Fund to pay various costs and expenses, including: preparing, producing and placing video, audio and written advertising materials and electronic media, including the System Websites; interest on borrowed funds; costs to prepare and place coupons and inserts in newspapers and other publications; sponsorship of sporting, charitable, entertainment or other events; reasonable salaries and expenses of our and our affiliates' employees working for or on behalf of the Marketing Fund or on advertising, marketing, and public relations materials, programs, activities and promotions for the benefit of the Marketing Fund; our and our affiliates' administrative costs and overhead incurred in activities reasonably related to the administration of the Marketing Fund, including collecting and accounting for Marketing Fund contributions and taxes on Marketing Fund contributions; purchasing direct mail, radio, television and other media advertising and employing advertising agencies and other professionals; and supporting public relations, market and consumer research and other advertising, promotional and marketing

activities, including testing and test marketing programs, fulfillment charges, and development, implementation and testing of trade dress and design prototypes. The Marketing Fund may advertise for local, regional or national circulation. Our in-house staff and/or national or regional advertising agencies may produce advertising, marketing and promotional materials. We will not use Marketing Fund contributions principally to solicit new franchise sales. You must participate in all programs the Marketing Fund institutes. The Marketing Fund also may reimburse CD Store operators (including us and our affiliates) for certain approved marketing expenditures that we periodically specify. At our option, the Marketing Fund will furnish you with reasonable quantities of marketing, advertising and promotional formats and sample materials at cost, plus any related shipping, handling and storage charges.

We will account for the Marketing Fund separately, but we need not segregate its funds from our other funds. Except as described above, we will not use the Marketing Fund to defray any of our general operating expenses. The Marketing Fund is not our asset nor a trust, and we do not have a fiduciary duty to you for maintaining, directing or administering the Marketing Fund or for any other reason. We may spend in a fiscal year an amount greater or less than the aggregate contributions of all CD stores to the Marketing Fund in that year. The Marketing Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits or invest any surplus for future use. The Marketing Fund will use all interest earned on contributions to pay costs before spending other assets. The Marketing Fund currently is not audited but we will provide an annual, unaudited statement of amounts collected and costs incurred for our immediately preceding fiscal year. During our 2021 fiscal year, the Marketing Fund spent 38% of its expenditures on media placement (primarily radio, direct mail, billboard advertising, community development programs and sponsorships, various in-store promotions, free-standing inserts and other local and digital media), 35% on administrative expenses (including salaries, taxes, benefits and expenses for personnel responsible for directing, managing and executing Marketing Fund programs and activities), and 27% on other expenses (including creative/concept development, in-store marketing, customer survey/referral programs, web site updates and research). Because of decreased CD Store sales during the COVID-19 pandemic, and despite decreasing Marketing Fund expenses, the Marketing Fund depleted its previous surplus and ended 2021 with a deficit of \$69,960. The Marketing Fund has taken a line of credit to cover the deficit which it expects to repay through 2022. We may cause the Marketing Fund to be incorporated or operated through an entity separate from us at any time, and the successor entity will have all of our rights and duties described in this Item 11.

The Marketing Fund is intended to maximize recognition of the Proprietary Marks and CD Stores in the United States generally. We will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place and conduct advertising and marketing, in order to benefit all CD Stores that contribute to the Marketing Fund. However, we need not ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to the contributions that CD Stores operating in that geographic area make, or that any CD Store will benefit directly or in proportion to its contribution from the development of advertising and marketing materials or the placement and conduct of advertising or marketing. Your failure to derive any benefit from Marketing Fund expenditures will not allow you to reduce or eliminate your obligation to contribute to the Marketing Fund. We may,

but need not, use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. We also may forgive, waive, settle and compromise all claims by or against the Marketing Fund without affecting the obligations of any other contributor to the Marketing Fund. Except as expressly described in this Item 11, we assume no direct or indirect liability or obligation to you regarding the maintenance, direction, or administration of the Marketing Fund.

We may periodically suspend contributions of one or more franchisees to, and operations of, the Marketing Fund for the periods that we specify. We may also terminate the Marketing Fund upon written notice to you. We will distribute all unspent funds on the date of termination to us, our affiliates and franchisees in proportion to our and their respective contributions to the Marketing Fund during the preceding 12-month period. We may reinstate the Marketing Fund upon the terms described above upon 30 days' prior written notice to you. (Franchise Agreement – Section 9.3)

Advertising Cooperatives

We may designate a geographic area in which 2 or more CD Stores are located as a region for a Cooperative. The Cooperative's members in any region are the owners of all of the CD Stores operating in that region (including us and our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine. We anticipate that Cooperatives will operate from written governing documents, and prepare annual unaudited financial statements, that franchisees may review. We may form, change, dissolve and merge Cooperatives. Each Cooperative's purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Cooperative covers. If, on the date you sign the Franchise Agreement, we have established a Cooperative for the region in which the Store is located, or if we establish a Cooperative in that region during the Franchise Agreement's term, you must sign the documents we require to become a member of the Cooperative and participate in the Cooperative as those documents require.

In addition to the Marketing Fund contribution described above, you must contribute to the Cooperative the amounts that the Cooperative determines. These amounts are subject to our approval. All contributors typically will contribute on the same formula or at the same rate. All material decisions of the Cooperative, including contribution levels (which also require an approval), will require the affirmative vote of at least 51% of all the CD Stores operating within the Cooperative's area (including, if applicable, those that we and our affiliates operate), with each store receiving 1 vote.

You must submit to us and the Cooperative any reports that we or the Cooperative requires. The Cooperative will operate solely to collect and spend Cooperative contributions for the purposes described above. The Cooperative and its members may not use any advertising, marketing or promotional programs or materials without our prior written consent. (Franchise Agreement – Section 9.5)

Approval of Advertising

Your advertising and promotion for the Store must be dignified, in the media and of the type and format that we may periodically approve and conform to our standards and requirements. You must submit samples of all proposed advertising and promotional plans and materials to us for our approval at least 30 days before their intended use, unless we prepared or approved them within the last 6 months. You may not use any materials without our written notice authorizing their use. We also may, at any time after use of the materials commences, prohibit further use, effective upon delivery of written notice to you. (Franchise Agreement – Section 9.1) There currently is no franchisee advertising council that advises us on advertising policies.

Initial Opening Promotion

We will prepare an initial grand opening advertising and marketing program for the Store requiring you to spend the amount we specify (up to \$15,000). You must execute the program in the manner we specify. Despite our development of the Store's initial grand opening advertising and marketing program, we make no representation or warranty, and assume no liability, relating to the program's impact or benefit. (Franchise Agreement – Section 9.2)

If you are eligible to participate in the Satellite Store Incentive Program, and you open the Satellite Store during 2022, then we will reduce the required expenditure for the initial grand opening advertising and marketing program to \$10,000. We will cause the Marketing Fund to reimburse you for 50% of the third party costs that you spend to conduct the Satellite Store's initial grand opening advertising and marketing program, up to a maximum reimbursement of \$5,000. If we and you mutually agree that additional grand opening and marketing investments are warranted, we will cause the Marketing Fund to reimburse you for 50% of the third party costs that you spend to conduct the additional initial grand opening advertising and marketing program efforts, up to maximum additional reimbursement of \$2,500. (Satellite Store Addendum – Section 8(c))

System Website

At our option, we or one or more of our designees may establish one or more websites to advertise, market, and promote CD Stores and the products and services that they offer and sell (each a "System Website"). If we establish one or more System Websites, we will provide you with a webpage that references the Store on the System Website that we designate. You must give us the information and materials that we periodically request to develop, update and modify this webpage. By providing the information and materials to us, you represent to us that they are accurate and not misleading and do not infringe any third party's rights. However, we will own all intellectual property and other rights in the System Websites, the webpage, and all information they contain (including the domain name or URL for such webpage, the log of "hits" by visitors, and any personal or business data that visitors supply).

We will maintain the System Websites, including your webpage, and may use the Marketing Fund's assets to develop, maintain and update the System Websites. We periodically

may update and modify the System Websites (including your webpage). You must notify us whenever any information on your webpage changes or is not accurate. We will update or add information that we approve to your webpage at reasonable intervals. We have final approval rights over all information on the System Websites (including your webpage). We may implement and periodically modify standards relating to the System Websites with which you must comply.

We will maintain your webpage on the System Website only while you are in full compliance with the Franchise Agreement and all standards that we specify (including those relating to the System Website). If you are in default of any obligation under the Franchise Agreement, then we may, in addition to our other remedies, temporarily remove your webpage from the System Website until you fully cure the default. We will permanently remove your webpage from the System Website upon the Franchise Agreement's expiration or termination. We also may, at our option, discontinue any or all System Websites at any time.

All advertising, marketing and promotional materials that you develop for your Store must contain notices of the System Website's domain name in the manner we designate. You may not develop, maintain or authorize any other website, other online presence or other electronic medium that mentions or describes you or the Store or displays any of the Proprietary Marks. You may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet.

We may maintain websites other than the System Websites and offer and sell products and services from the System Websites, another website or otherwise over the Internet without payment or obligation of any kind to you. We also may maintain relationships with various social media platforms including Facebook, YouTube, Instagram, Four Square, Google Plus, Twitter and Pinterest. (Franchise Agreement – Section 9.4)

Computer System

You must buy and maintain the components for the Computer System that we periodically specify. The Computer System performs point-of-sale/cash register, back office (for example, scheduling), and other recordkeeping and central Store operations functions. The Computer System will generate and record sales, inventory and other operational data. You must provide the assistance required to connect your Computer System to our computer system. We will have unlimited, independent access to all of the data and information that your Computer System generates and stores.

It will cost about \$30,000 to \$37,000 to acquire the Computer System's components for a Plant Store and \$10,000 to \$22,500 for a Satellite Store, including the initial software license fee and the initial set-up license fee for PCI compliance software. The primary software vendor and PCI compliance software vendor provide required maintenance, updating, upgrading and support for their software and currently charge a combined \$5,500 to \$6,500 per year, depending on the number of workstations. You need not obtain, and no party has any obligation to provide, any specific maintenance, repairs, updating, upgrading or support contracts for other parts of the Computer System. Because of varying market conditions and types of maintenance and support

contracts, we are unable to estimate the annual cost of any optional maintenance, updating, upgrading or support contracts. If you buy our affiliate's existing CD Store, our affiliate will sell you the Computer System with the Store's other assets.

To ensure full operational efficiency and optimum communication capability between computer systems that we, you and other franchisees use, you must, at your own expense, keep your Computer System in good maintenance and repair, and promptly install the additions, changes, modifications, substitutions, and/or replacements (including antivirus software) that we periodically specify, and only those that we periodically specify. There is no contractual limitation on the frequency and cost of these obligations. (Franchise Agreement – Sections 3.2, 3.3, 6.3, 6.5 and 11.1).

Store Opening

If you are developing a new CD Store, we estimate the typical length of time between signing the Franchise Agreement (which is when you first pay consideration to us for that franchise) and the opening of the Store is 9 to 12 months for a Plant Store and 5 to 8 months for a Satellite Store. If you are buying an existing CD Store from our affiliate, we estimate the typical length of time between signing the Letter of Intent (which is when you first pay consideration to us or our affiliate for that CD Store in the form of the LOI Deposit) and your starting to operate the Store is 2 to 4 months. The factors that may affect this time period include lease obligations, your financing process, governmental licenses and permits, zoning and local ordinances, the completion of leasehold improvements, installation of required equipment and normal business start-up considerations. You may not open the Store for business until: (a) you have properly developed and equipped the Store according to our standards and specifications and in compliance with all applicable laws, rules and regulations; (b) all Store personnel have completed pre-opening training to our satisfaction; (c) you have paid all amounts that you then owe to us or our affiliates; (d) you have obtained all required licenses and permits to operate the Store; (e) you have provided us copies of all insurance policies or other evidence of insurance coverage and payment of premiums that we request; and (f) we have (at our option but without any obligation to do so) conducted a pre-opening inspection and approved the Store for opening. Our determination that you have met all of our pre-opening requirements will not constitute a representation or warranty, express or implied, that the Store complies with any laws or constitute a waiver of your non-compliance, or of our right to demand full compliance, with the Franchise Agreement. You must obtain approval to open the Store, and open the Store for business, according to the Franchise Agreement within 9 months after the Franchise Agreement's effective date, or we may terminate the Franchise Agreement. (Franchise Agreement – Section 3.5)

Item 12

TERRITORY

The Franchise Agreement grants you the right to operate the Store only at the "Site" identified in the Franchise Agreement. We and you will not sign the Franchise Agreement until you propose and we accept the Site. You may not relocate the Store without our prior written

approval. We may condition that approval upon your paying the relocation fee and fulfilling our then current requirements for the Store's appearance and required furniture, fixtures and equipment at the new location, among other things.

You have certain territorial rights in 2 specified geographic areas that we define in the Franchise Agreement as the "Protected Territory" and the "ROFO Territory." If we determine that the Site is in an urban environment, then the Protected Territory is a ½ mile radius around the Store and the ROFO Territory is a 1 mile radius around the Store (excluding the Protected Territory). If we determine that the Site is not in an urban environment, then the Protected Territory is a 1 mile radius around the Store and the ROFO Territory is a 2 mile radius around the Store (excluding the Protected Territory). Our determination is final, and we and you will list the Protected Territory and ROFO Territory in the Franchise Agreement before signing it.

The Protected Territory is an exclusive territory under the Franchise Agreement. This "exclusivity" in the Protected Territory means that if you are not in default under the Franchise Agreement: (a) we will not operate, or grant a franchise to any other person to operate, a CD Store the physical premises of which are located within the Protected Territory; and (b) we will not operate, or grant a franchise to any other person to operate, a CD Store the physical premises of which are located within the ROFO Territory unless we comply with the provisions described below concerning your right of first offer.

Except as described below, at any time during the Franchise Agreement's term (assuming you are then in full compliance with the Franchise Agreement and all other agreements between us (or our affiliate) and you), if we desire to grant to any person or entity the right to develop and operate a CD Store at a location the physical premises of which are located within the ROFO Territory (the "Proposed Site"), and further subject to any restrictions under applicable law, we will first offer you the opportunity to acquire the right to develop and operate a CD Store at the Proposed Site by delivering written notice to you. You will then have 30 days after receiving our notice to notify us in writing whether you elect to exercise your right of first offer. Together with your notice, you must complete and send us the forms and other information we then require demonstrating your financial and operational ability to develop and operate the CD Store at the Proposed Site. If you meet our then current qualifications, we will, subject to any restrictions under applicable law, deliver to you within a reasonable time after receiving your notice the form of franchise or license agreement and related documents (including personal guarantees) that we then are using to grant rights to develop and operate CD Stores, the terms of which (including fees payable to us) might be materially different from those contained in the Franchise Agreement.

If:

(1) you and your owners fail to sign and deliver to us that franchise or license agreement and related documents, or to pay the fees owed to us upon your signing those documents, within 30 days after we deliver them to you;

(2) you inform us that you decide not to exercise your right of first offer or you fail to notify us of your decision to exercise those rights within the 30-day period described above; or

(3) you are not eligible to exercise your right of first offer described above because you are not then in full compliance with the Franchise Agreement and all other agreements between us (or our affiliate) and you, or do not meet our then current qualifications for CD Store franchisees;

then we will notify you in writing of your ineligibility for the right of first offer at the Proposed Site. After that, at any time and without obligation to you, we may operate, or grant a franchise for the operation of, a CD Store at the Proposed Site on any terms and conditions we deem appropriate.

In addition, there are certain activities and transactions in which we may engage even within the Protected Territory and ROFO Territory. In particular, during and after the term of the Franchise Agreement, we (on behalf of ourselves, our affiliates and our designees) retain all rights with respect to CD Stores, the Operating Plans, the Proprietary Marks, and the marketing and sale of any products and services, anywhere in the world, including the right to:

(a) develop and operate, and grant rights to others to develop and operate, CD Stores and any similar or dissimilar businesses at any location outside the Protected Territory and ROFO Territory (including on the border of the ROFO Territory), whether under the Proprietary Marks or other trademarks or service marks, and on any terms we deem appropriate, including CD Stores the physical premises of which are located outside the Protected Territory and ROFO Territory and which market and/or provide products and services (including delivery services) to customers located within the Protected Territory or ROFO Territory;

(b) market and provide, and grant rights to other persons to market and provide, goods and services similar or dissimilar to, and/or competitive with, those provided at CD Stores, whether identified by the Proprietary Marks or other trademarks or service marks, through any distribution channels, including pick-up and/or delivery services, services to commercial accounts, locker installations, drop-off services at kiosks or other locations that are not fixed-location retail outlets operating as CD Stores, mail order, sales over the Internet and other electronic media, and at any locations, whether within or outside the Protected Territory or ROFO Territory;

(c) be acquired (in whole or in part and regardless of the form of transaction) by a business providing products and services similar or dissimilar to those provided at CD Stores, or by another business, even if that business operates, franchises and/or licenses one or more competitive businesses within the Protected Territory or ROFO Territory; and

(d) acquire (in whole or in part and regardless of the form of transaction) one or more businesses providing products and services similar or dissimilar to those

provided at CD Stores, and to franchise, license and create other arrangements of any type with those businesses once acquired, wherever these businesses (or the franchisees or licensees of those businesses) are located or operating (whether within or outside the Protected Territory or ROFO Territory).

We do not grant you any marketing exclusivity within the Protected Territory or ROFO Territory. You may solicit and accept orders from customers outside the Protected Territory and ROFO Territory if we approve the solicitation materials and programs. However, you may not use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales, because you may only make sales at the Store. All CD Stores (regardless of ownership) may solicit, accept orders from and deliver products to customers without regard to the customers' geographic location, including those customers located in the Protected Territory or ROFO Territory, without compensating you. We may, however, develop different territory policies for pickup and delivery services if we institute that program. We and our affiliates may use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales in the Protected Territory and ROFO Territory under the Proprietary Marks or other marks.

Except for the right of first offer described above, you have no options, rights of first refusal, or similar rights to acquire additional franchises. Although we have the right to do so, neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those that CD Stores offer. Continuation of your territorial exclusivity under the Franchise Agreement does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Protected Territory or ROFO Territory or your rights in those territories.

Item 13

TRADEMARKS

You may use the Proprietary Marks in operating the Store. Cleaners Depot, L.P., our affiliate, registered the principal Proprietary Marks on the principal register of the United States Patent and Trademark Office ("PTO"). We accepted an assignment of the Proprietary Marks effective January 2012 and now we own the Proprietary Marks. The principal Proprietary Marks are:

Mark	Registration Number	Date Registered	Affidavits Filed?	Registration Renewed?
CD Design logo	2,704,215	April 8, 2003	Yes	Yes
CD	3,089,941	May 9, 2006	Yes	Yes
CD ONE PRICE CLEANERS	3,160,666	October 17, 2006	Yes	Yes

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, any state trademark administrator, or any court, and no pending infringement, opposition, or cancellation proceedings or material federal or state court litigation, involving the principal Proprietary Marks. We do not know of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state. No agreement limits our right to use or license the Proprietary Marks.

You must follow our rules when you use the Proprietary Marks. We may periodically add or substitute different marks if the Proprietary Marks no longer can be used, or if we determine that addition or substitution of different marks will benefit us. The Franchise Agreement governs your use of the additional or substituted marks. You must implement promptly any additions and substitutions at your expense.

You must promptly notify us of any suspected unauthorized use of, or any challenge to the validity or use of, the Proprietary Marks. We will determine whether any action should be taken, and will direct and control any action, including any administrative proceeding, litigation or other adjudicative proceeding involving the Proprietary Marks, including any settlement. You may not make any demand against any user or challenger or prosecute any claim of any kind relating to the Proprietary Marks. If there is an administrative proceeding, litigation or other dispute relating to your use of the Proprietary Marks, you must sign the documents and do the acts we specify to carry out the defense or prosecution, including becoming a party to any legal action. We may direct and control any proceeding, litigation or dispute (including any settlement). However, we need not protect your right to use the Proprietary Marks nor protect you against claims of infringement or unfair competition arising from your use of the Proprietary Marks. We need not participate in your defense nor indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Proprietary Mark or if the proceeding is resolved unfavorably to you.

Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents are material to the franchise. We claim copyrights in the Manual (which contains our trade secrets), the content of the online learning management system, advertising and marketing materials, and similar items used in operating the franchise. We have not registered these copyrights with the United States Registrar of Copyrights but need not do so at this time to protect them. You may use these items only as we specify while operating your Store and must stop using them if we so direct you.

There currently are no effective adverse determinations of, or pending material proceedings before, the PTO, the United States Copyright Office or any court involving the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not know of any copyright infringement that could materially affect you.

You must notify us immediately of any apparent infringement of or challenge to your use of any copyrighted works. We may take the action we deem appropriate (including no action) and control exclusively any litigation or other proceeding arising from any infringement, challenge or claim or otherwise concerning any copyrighted works. We may require you to modify or discontinue using any copyrighted works and/or use one or more additional or substitute copyrighted works. We need not reimburse you for your expenses. We need not participate in your defense nor indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a copyrighted work or if the proceeding is resolved unfavorably to you.

Our Manual, the online learning management system and other materials contain our confidential information. You must treat the Manual, and the information it contains, as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You may not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, nor otherwise make them available to any unauthorized person.

You may not, during the term of the Franchise Agreement or after its expiration or termination, communicate, divulge or use for the benefit of any other person or business entity, any confidential information, knowledge or know-how concerning the marketing, management or operations plans of a CD Store or us. You may disclose confidential information only to those employees who need to know and must have access to it in order to perform their employment responsibilities, and who agree to keep the information confidential. All information, knowledge, know-how and techniques that we designate as confidential are deemed confidential.

You must ensure that anyone associated with you keeps confidential all information received about us and the Store. At our request, you must require anyone who may have access to confidential information to sign confidentiality covenants. We must approve these covenants and they must include specific identification of us as a third party beneficiary of the covenants with the independent right to enforce them.

You must promptly disclose to us all ideas, concepts, techniques and materials relating to a CD Store ("Innovations"), whether or not protectable intellectual property and whether created by or for you or your owners, employees or contractors. Innovations are our sole and exclusive property and works made-for-hire for us. If any Innovation does not qualify as a "work made-for-hire," then you assign ownership of that item, and all related rights to that item, to us and must sign (and cause your owners, employees and contractors to sign) whatever assignment and other documents we request to evidence our ownership and to help us obtain intellectual property rights in the item. You may not use any Innovation in operating the Store or otherwise without our prior approval.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Agreement

Only you are authorized to operate the Store, and you must at all times faithfully, honestly and diligently perform your obligations and fully exploit your rights under the Franchise Agreement. You (or, if you are a business entity, the "Designated Principal" specified in the Franchise Agreement or the on-premises manager must personally devote all of your business time and efforts to the on-premises management of the Store. At our option, you also must require your employees and others who may have access to confidential information to sign confidentiality agreements. We will have the right to enforce those agreements. The Store must at all times be under the on-premises supervision of a manager who has completed our training requirements to our satisfaction.

If you are a business entity, all of your owners and their spouses must sign the Guaranty and Assumption of Franchisee's Obligations attached to the Franchise Agreement. Under the Guaranty your owners and their spouses jointly and severally guarantee your performance of, and agree to be personally bound by and liable for the breach of, each provision of the Franchise Agreement. If you sign the Sublease, your owners and their spouses must similarly guarantee your obligations under the Sublease. If you sign our Promissory Note, your owners and their spouses must sign the Personal Guaranty under which they guarantee your obligations under the Promissory Note.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and offer for sale only the products and services that meet our uniform standards of quality, that we have expressly approved for sale in writing, and that comply with our methods and techniques for services. You must sell and offer for sale all products and services we periodically specify. Currently, you may not offer or provide any pick-up, delivery or similar route sales services, or any drop-off or other remote access services at or relating to the Store, unless you obtain our prior written approval to provide them, comply with the Operating Plans and other standards we periodically specify, and provide those services directly to end-user customers. You also may not provide services to anyone you know or should know will provide delivery or similar route sales services to end-user customers for a fee or other consideration. We are testing pickup and delivery services and other products and services as part of the new programs and initiatives for the CD Store network. You may not deviate from our methods, standards and specifications regarding services provided or products sold (including for credit cards and other means of payment) and must participate in all payment, loyalty and other customer programs that we periodically specify. You must discontinue selling and offering for sale any products or services that we may, at our sole option, disapprove in writing at any time.

You must adhere to our pricing requirements and restrictions for the dry cleaning services and other products and services you sell or provide to the maximum extent the law allows.

Item 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Franchise Agreement and Addenda

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	2.1 of Franchise Agreement	10 years.
b. Renewal or extension of the term	2.2 of Franchise Agreement	If you have complied with the Franchise Agreement during its term, you may acquire a renewal franchise for 10 years on our then current terms (which may be materially different).
c. Requirements for franchisee to renew or extend	2.2 of Franchise Agreement	You maintain possession of Store and remodel/expand to meet then current standards (including new equipment) or secure substitute site and develop as a new CD Store; give us 6 months' notice; sign then current form of franchise agreement and ancillary documents; and sign general releases (if state law allows). "Renewal" means signing our then current franchise agreement for the 10-year renewal term, which could contain materially different terms.
d. Termination by franchisee	13.6 of Franchise Agreement	You may close unprofitable Store and terminate Franchise Agreement if you use best efforts to operate at reasonable profit, you comply with agreements, we have no liability, you provide us notice and option to buy Store assets, you sign termination agreement and general release (if state law allows), Store assets are not used in competitive business, and you ensure no competitive business operates at Site for at least 3 months.
e. Termination by franchisor without cause	Not applicable	We may not terminate Franchise Agreement without cause.

Provision	Section in franchise or other agreement	Summary
f. Termination by franchisor with cause	13.1 to 13.3 of Franchise Agreement	We may terminate Franchise Agreement if you or your owners commit any one of several violations.
g. "Cause" defined – curable defaults	13.3 of Franchise Agreement	You have 72 hours to cure violations of law or operating in unsafe manner, 10 days to cure payment defaults and 30 days to cure other defaults not listed in (h) below. If you buy an existing CD Store from our affiliate and our affiliate provides financing to you, you have 2 business days to cure your failure to establish, continuously maintain, and/or deposit Gross Revenues each business day into, a designated bank account.
h. "Cause" defined – non-curable defaults	13.1 and 13.2 of Franchise Agreement, 2 of Renewal Addendum and 7 of Satellite Store Addendum	Bankruptcy-related events, dissolution, unsatisfied judgment, failure to sign approved lease or open on time, abandonment, plea or conviction of felony or crime involving moral turpitude, actions adversely affecting Proprietary Marks, unauthorized transfer, breach of non-compete, unauthorized disclosure of confidential information, failing to make required transfer upon death or disability, knowingly maintaining false books or submitting false reports, lease expiration or termination, loss of possession of equipment or assets, default in obligations under financing for Store's acquisition and/or operation, material misrepresentation, understating payments to us, failure to maintain insurance, failure to complete training, interference with our inspection rights, termination of an agreement with us or our affiliates (other than a franchise agreement terminated under a store closure provision), and repeated defaults. We also may manage Store during default. In addition, we may terminate a Franchise Agreement for Satellite Store if the Plant Store cannot provide adequate service, its Franchise Agreement terminates, or is transferred without transferring Satellite Store to the same buyer.
i. Franchisee's obligations on termination/non-renewal	14 of Franchise Agreement	Stop operating as CD Store, stop using confidential information and Proprietary Marks, cancel assumed name registrations, assign telephone numbers, assign lease (at our option), de-identify and modify Store, pay amounts owed to us and our affiliates, and return Manual (see also (o) and (r) below).

Provision	Section in franchise or other agreement	Summary
j. Assignment of contract by franchisor	12.1 of Franchise Agreement	No restriction on our right to assign or change our ownership or form.
k. "Transfer" by franchisee – defined	12.2 of Franchise Agreement	Includes transfer of any interest in the Franchise Agreement, Store's assets, rights to receive Store's profits or losses, or ownership interest in you.
l. Franchisor approval of transfer by franchisee	12.3 of Franchise Agreement	No transfer without our approval, which we will not unreasonably withhold if all requirements are met.
m. Conditions for franchisor approval of transfer	12.3, 12.4, 12.7 and 12.8 of Franchise Agreement and 7 of Satellite Store Addendum	Pay amounts owed to us and third parties, no defaults, transferor and owners sign general releases (if state law allows), transferees comply with post-termination obligations, transferee signs assignment of Franchise Agreement or then current franchise agreement (at our option), transferee qualifies, refurbish/remodel Store to then current standards (including new equipment), transferor remains liable, new personnel complete training, pay transfer fee, provide evidence of right to possess Store for remaining franchise term, and subordinate obligations. Your owners may transfer non-controlling interest if transferee qualifies and signs guarantees and you pay transfer fee. You also must submit securities offering documents to us for our approval. We may condition our consent to any transfer involving a Satellite Store on simultaneous transfer of interest in Plant Store.
n. Franchisor's right of first refusal to acquire franchisee's business	12.8 and 12.9 of Franchise Agreement	We have right to match offers under certain conditions.
o. Franchisor's option to purchase franchisee's business	14.9 of Franchise Agreement	We may acquire Store's assets for fair market value upon expiration or termination.
p. Death or disability of franchisee	12.5 of Franchise Agreement	Must transfer to approved transferee within 6 months.

Provision	Section in franchise or other agreement	Summary
q. Non-competition covenants during the term of the franchise	15.2 of Franchise Agreement	No diverting Store business or customer to, owning interest in, performing services for, or otherwise associating with Competitive Business anywhere, and no performing acts prejudicial to goodwill. "Competitive Business" means business that offers dry cleaning, finished laundry services, other cleaning services, alterations, repair/restoration and similar services, including providing these services to another CD Store.
r. Non-competition covenants after the franchise is terminated or expires	15.3 of Franchise Agreement	For 2 years, no owning interest in, performing services for, or otherwise associating with Competitive Business operating at Site, within 10 miles of Site, or within 5 miles of any other CD Store.
s. Modification of the agreement	21 of Franchise Agreement	Modifications only by written agreement of parties, but we may change Manual and Operating Plans.
t. Integration/merger clause	21 of Franchise Agreement	Only terms of Franchise Agreement (including the Manual and Operating Plans) are binding (subject to state law). Any other representations or promises made outside of the disclosure document and those agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	23.2 of Franchise Agreement	We and you must arbitrate all disputes at a location the arbitrator chooses within 10 miles of our then existing principal business address.
v. Choice of forum	23.3 of Franchise Agreement	Subject to arbitration obligation and state law, litigation generally must be in Illinois.
w. Choice of law	23.1 of Franchise Agreement	Except for Federal Arbitration Act and other federal law, Illinois law applies (subject to state law).

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Letter of Intent, Asset Purchase Agreement and Sublease

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	7 of Letter of Intent and 2 of Sublease	Letter of Intent ends when Asset Purchase Agreement is signed. Sublease term ends when prime lease or Franchise Agreement expires or terminates, whichever is sooner.
b. Renewal or extension of the term	Not applicable	You have no right to renew or extend.
c. Requirements for franchisee to renew or extend	Not applicable	Not applicable.
d. Termination by franchisee	7 of Letter of Intent and 6.3 of Asset Purchase Agreement	You may terminate your obligations under the Letter of Intent at any time. You may terminate the Asset Purchase Agreement if we terminate Franchise Agreement or closing conditions are not satisfied. You may not terminate the Sublease except as applicable law allows.
e. Termination by franchisor without cause	7 of Letter of Intent	Our affiliate may not terminate the Asset Purchase Agreement without cause, but may decide not move forward with the sale after signing the Letter of Intent and before signing the Asset Purchase Agreement, and may terminate the prime lease according to its terms.
f. Termination by franchisor with cause	7 of Letter of Intent, 6.4 of Asset Purchase Agreement and 6 of Sublease	Our affiliate may terminate if you commit any one of several defaults or if closing conditions are not satisfied.
g. "Cause" defined – curable defaults	6 of Sublease	The Sublease allows you to cure any curable defaults under prime lease. You may not cure any defaults under Letter of Intent or Asset Purchase Agreement.

Provision	Section in franchise or other agreement	Summary
h. "Cause" defined – non-curable defaults	7 of Letter of Intent, 6.4 of Asset Purchase Agreement and 6 of Sublease	<u>Letter of Intent</u> : Failure to use good faith best efforts to obtain financing, not obtaining commitment letter on time, not signing agreements or paying fees on time, and breaching other binding obligations. <u>Asset Purchase Agreement</u> : Misrepresentations, inability to obtain prime landlord's consent, not complying with Franchise Agreement, and not paying purchase price. <u>Sublease</u> : Non-curable default under prime lease, abandonment, and material breach of Franchise Agreement or other agreement. Our affiliate may cure your defaults.
i. Franchisee's obligations on termination/non-renewal	4(c) of Sublease	Surrender Store's premises and assets and pay amounts owed.
j. Assignment of contract by franchisor	7.1 of Asset Purchase Agreement and 5(g) and 12 of Sublease	No restriction on our affiliate's right to transfer. If our affiliate seeks to assign the prime lease to you, you and your direct and indirect owners (and their spouses) must provide information and sign documents and guarantees for the assignment.
k. "Transfer" by franchisee– defined	5(c)(i) of Sublease	As defined in Franchise Agreement.
l. Franchisor approval of transfer by franchisee	7.1 of Asset Purchase Agreement and 5(c)(i) of Sublease	No transfer of Letter of Intent, and no transfer of Asset Purchase Agreement or Sublease without our affiliate's approval. Transfer of Sublease is subject to Franchise Agreement's transfer conditions and requirements.
m. Conditions for franchisor approval of transfer	5(c)(i) of Sublease	You may only transfer Sublease to transferee of Franchise Agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	Not applicable	Not applicable.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.

Provision	Section in franchise or other agreement	Summary
p. Death or disability of franchisee	Not applicable	Not applicable.
q. Non-competition covenants during the term of the franchise	Not applicable	Not applicable.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	Not applicable.
s. Modification of the agreement	7.3 of Asset Purchase Agreement and 12 of Sublease	Modifications only by written agreement of parties.
t. Integration/merger clause	7.3 of Asset Purchase Agreement and 12 of Sublease	Only terms of Asset Purchase Agreement and Sublease are binding. Any other representations or promises made outside of the disclosure document and those agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not applicable	No arbitrating disputes under Letter of Intent, Asset Purchase Agreement or Sublease.
v. Choice of forum	Not applicable	Not applicable.
w. Choice of law	7.2 of Asset Purchase Agreement and 12 of Sublease	Illinois law applies.

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Promissory Note and Security Agreement

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	2 of Promissory Note	Typically 5 to 7 years, but might be 10 years.
b. Renewal or extension of the term	Not applicable	You have no right to renew or extend.

Provision	Section in franchise or other agreement	Summary
c. Requirements for franchisee to renew or extend	Not applicable	Not applicable.
d. Termination by franchisee	Not applicable	You may not terminate except as applicable law allows.
e. Termination by franchisor without cause	Not applicable	Our affiliate may not terminate without cause.
f. Termination by franchisor with cause	4 of Promissory Note and 5 of Security Agreement	Our affiliate may terminate if you commit any one of several defaults.
g. "Cause" defined – curable defaults	Not applicable	You may not cure any defaults under the Promissory Note or Security Agreement.
h. "Cause" defined – non-curable defaults	4 of Promissory Note and 5 of Security Agreement	Failure to make payments under Promissory Note; failure to perform under Promissory Note, Security Agreement or any related agreement; Franchise Agreement's expiration or termination; and bankruptcy-related events.
i. Franchisee's obligations on termination /non-renewal	4 of Promissory Note and 5 of Security Agreement	Pay all amounts owed, including costs, and allow our affiliate to repossess Collateral or deliver Collateral at our affiliate's direction. Our affiliate also may exercise rights as secured creditor under Uniform Commercial Code.
j. Assignment of contract by franchisor	11 of Security Agreement	No restriction on our affiliate's right to transfer or assign.
k. "Transfer" by franchisee– defined	11 of Security Agreement	No transfer by you without our affiliate's prior written consent.
l. Franchisor approval of transfer by franchisee	11 of Security Agreement	No transfer by you without our affiliate's prior written consent.
m. Conditions for franchisor approval of transfer	Not applicable	Not applicable.
n. Franchisor's right of first refusal to acquire franchisee's business	Not applicable	Not applicable.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.

Provision	Section in franchise or other agreement	Summary
p. Death or disability of franchisee	Not applicable	Not applicable.
q. Non-competition covenants during the term of the franchise	Not applicable	Not applicable.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	Not applicable.
s. Modification of the agreement	12 of Promissory Note and 14 of Security Agreement	Modifications only by written agreement of parties.
t. Integration/merger clause	13 of Promissory Note and 14 of Security Agreement	Only terms of Promissory Note and Security Agreement are binding. Any other representations or promises made outside of the disclosure document and those agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not applicable	Not applicable.
v. Choice of forum	7 of Promissory Note and 12 of Security Agreement	Litigation must be in Illinois.
w. Choice of law	7 of Promissory Note and 12 of Security Agreement	Illinois law applies.

Item 18

PUBLIC FIGURES

We do not use any public figures 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 Tom Ryan, our Vice President of Franchise Development, at 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154, and (708) 836-4615, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

All numbers appearing in Tables 1 through 5 below are as of December 31 in each year. Our affiliates operate all of the outlets listed as "company-owned" in the tables. Some of the outlets listed as being sold to franchisees or opened franchised CD Stores reflect CD Stores that our affiliate operated and sold to franchisees. 2 CD Stores in Illinois converted from Plant Stores to Satellite Stores (one in 2020 and the other in 2021) and 1 new Satellite Store opened in Illinois in 2021. The remaining CD Stores are Plant Stores.

Table No. 1

Systemwide Outlet Summary For years 2019 to 2021

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2019	35	35	+0
	2020	35	35	+0
	2021	35	36	+1
Company-Owned	2019	1	1	+0
	2020	1	1	+0
	2021	1	1	+0

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Total Outlets	2019	36	36	+0
	2020	36	36	+0
	2021	36	37	+1

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019 to 2021**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Illinois	2019	0
	2020	0
	2021	2
Total	2019	0
	2020	0
	2021	2

[Table No. 3 Begins on Following Page]

Table No. 3

**Status of Franchised Outlets
For years 2019 to 2021**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
Illinois	2019	33	0	0	0	0	0	33
	2020	33	0	0	0	0	0	33
	2021	33	1	0	0	0	0	34
Indiana	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Missouri	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Totals	2019	35	0	0	0	0	0	35
	2020	35	0	0	0	0	0	35
	2021	35	1	0	0	0	0	36

Table No. 4

**Status of Company-Owned Outlets
For years 2019 to 2021**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Minnesota	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Totals	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1

Table No. 5

Projected Openings as of December 31, 2021

State	Franchise Agreements Signed As of 12/31/2021 But Outlet Not Open as of 12/31/2021	Projected New Franchised Outlets to Open in 2022	Projected New Company-Owned Outlets to Open in 2022
Illinois	0	1	0
Totals	0	1	0

Exhibit H is a list of our franchisees as of December 31, 2021 and the addresses and telephone numbers of their CD Stores. Except for Tim Brown, Asteam Cleaners, Inc., Palatine, IL, (630) 542-0809 and Cindy Brooks, A&B Life Endeavors, LLC, Deerfield, IL, (312) 515-4097, who sold their CD Stores to buyers in 2021, no franchisees had an outlet terminated, transferred, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recent fiscal year, and no franchisee has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. No franchisees have signed confidentiality clauses and there are no trademark-specific franchisee organizations associated with the CD Store franchise system.

Item 21

FINANCIAL STATEMENTS

Exhibit E contains our audited balance sheets for the periods ended December 31, 2021 and December 25, 2020, and the related statements of operations, members' equity and cash flows for the periods ended December 31, 2021, December 25, 2020, and December 27, 2019, as well as our unaudited financial statements for the period ended November 25, 2022.

Item 22

CONTRACTS

The following documents are attached to this disclosure document:

1. Franchise Agreement (Exhibit B-1)
2. Renewal Addendum (Exhibit B-2)
3. Satellite Store Addendum (Exhibit B-3)
4. Letter of Intent (Exhibit C-1)
5. Asset Purchase Agreement (Exhibit C-2)
6. Sublease (Exhibit D)
7. Promissory Note (Exhibit G-1)
8. Security Agreement (Exhibit G-2)
9. Personal Guaranty (Exhibit G-3)
10. Confession of Judgment (Exhibit G-4)
11. State-Specific Riders, including sample form release for use with transfer/renewal (Exhibit I)

Item 23

RECEIPTS

Two copies of a Receipt for this disclosure document appear as the last two pages of this disclosure document. Please return one copy to us and retain the other copy for your records.

EXHIBIT A

LIST OF STATE ADMINISTRATORS/AGENTS
FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the Ex. requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of Department of Financial
Protection & Innovation
Department of Financial Protection &
Innovation
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(866) 275-2677

San Diego

1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

HAWAII

(for service of process)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 335-7567

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(Administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236

NORTH DAKOTA

(for service of process)

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98501-9033
(360) 902-8760

WISCONSIN

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

EXHIBIT B-1
FRANCHISE AGREEMENT

B-1-1

CLEANERS DEPOT FRANCHISE, LLC

FRANCHISE AGREEMENT

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Exhibits

Exhibit A	Basic Terms
Exhibit B	Rider to Lease and Collateral Assignment
Exhibit C	Form of Electronic Funds Transfer Agreements
Exhibit D	Form of Personal Guaranty

CLEANERS DEPOT FRANCHISE, LLC
FRANCHISE AGREEMENT

This Franchise Agreement (“**Agreement**”), with an effective date of _____, 202__, (the “**Effective Date**”), is made by and between Cleaners Depot Franchise, LLC, a Nevada limited liability company, with its principal place of business at 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154 (“**Franchisor**”), and _____ (“**Franchisee**”), with its principal place of business at _____ (“**Franchisee**”).

R E C I T A L S

A. Franchisor, as the result of the expenditure of time, skill, effort and money by it and its affiliates, has developed a format and process for developing and operating fixed-location retail stores that offer economically-priced, by-the-piece retail dry cleaning and laundry services and operate under the Operating Plans and Proprietary Marks (each as defined below) (“**CD Stores**”).

B. The CD Stores use technical information and expertise relating to store layout and design, trade dress, cleaning methods and procedures, customer service practices, and business formats and methods; exterior and interior design, decor, fixtures and furnishings; standards and specifications for services, products and supplies that CD Stores use and/or sell; service standards; specifications and procedures for operations; training; and advertising and promotional programs, some or all of which constitute trade secrets, and all of which may be changed, improved, further developed and otherwise modified by Franchisor from time to time (collectively, “**Operating Plans**”).

C. Franchisor identifies CD Stores by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin (“marks”) as are now or may hereinafter be designated by Franchisor. The marks to be utilized in connection with the concept to be licensed to Franchisee pursuant to this Agreement, including “CD One Price Cleaners®,” as Franchisor may add to, amend and replace them from time to time, are hereinafter referred to as “**Proprietary Marks**.”

D. Franchisee desires to enter into the business of operating a CD Store utilizing the Operating Plans and using the Proprietary Marks at the location specified herein (the “**Store**”) and wishes to enter into an agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith, pursuant to the terms of this Agreement.

E. Franchisee understands and acknowledges the importance of Franchisor’s high standards of quality, cleanliness, appearance, service and proprietary procedures and the necessity of operating its business in conformity with the Operating Plans and Franchisor’s other standards and specifications.

The parties agree as follows:

1. **GRANT OF FRANCHISE, LOCATION OF STORE AND TERRITORIAL RIGHTS**

1.1 **Franchise Grant.** Subject to the provisions of this Agreement, Franchisor hereby grants to Franchisee the right, and Franchisee accepts the obligation, to use the Proprietary Marks and Operating Plans solely in connection with the operation of the Store at the location listed on Exhibit A attached hereto, and to operate such Store strictly in accordance with the Operating Plans, during the term of this Agreement.

1.2 **Location of and Lease for Store.**

1.2.1 The Store shall be located at the address set forth in Exhibit A (the “**Site**”). Notwithstanding any assistance or recommendations that Franchisor might have provided with respect to the Site, Franchisee acknowledges that Franchisor’s acceptance of the Site and any information communicated to Franchisee regarding the Site are not a representation or warranty of any kind, express or implied, of the suitability of the Site for a CD Store or any other purpose. Franchisor’s acceptance indicates only that Franchisor believes that the Site meets, or that Franchisor has waived, the general criteria of site acceptability which Franchisor has established as of that time. Applying criteria that have appeared effective for other sites might not accurately reflect the potential for all sites, and, after Franchisor accepts a site, demographic and/or other factors included in or excluded from Franchisor’s site criteria could change, thereby altering a site’s potential. The uncertainty and instability of these criteria are beyond Franchisor’s control, and Franchisor is not responsible for the failure of the Site to meet Franchisor’s or Franchisee’s expectations.

1.2.2 Franchisee agrees to present the lease for the Site (the “**Lease**”) to Franchisor for Franchisor’s prior written acceptance before Franchisee signs it (if Franchisee is not the fee simple owner of the Site and Store premises). After negotiating the Lease terms with the Site’s owner or lessor, Franchisee shall present the ready-to-be-signed Lease to Franchisor for its review and acceptance. Franchisee shall ensure that such Lease includes such standard lease terms as Franchisor may require in writing from time to time, including, without limitation, the lease terms described in Section 6.10. After receiving a copy of a proposed Lease in form for execution, Franchisor shall have the sole right to accept, accept with modifications or refuse to accept such proposed Lease, and Franchisee acknowledges and agrees that Franchisor shall have no liability therefor, provided that Franchisor shall not unreasonably withhold its acceptance of a proposed Lease that contains the standard lease terms that Franchisor periodically specifies. Franchisor agrees to use commercially reasonable efforts to deliver such notification to Franchisee within thirty (30) days after receiving the proposed Lease. Franchisee agrees that it will not execute a Lease without Franchisor’s the prior written acceptance of the Lease.

Franchisee acknowledges that Franchisor's acceptance of the Lease is not a representation or warranty of any kind, express or implied, of the suitability of the Lease. Franchisor's acceptance indicates only that Franchisor believes that the Lease meets, or Franchisor has waived, the general criteria of acceptability that Franchisor has established as of that time. Simultaneously with signing the Lease, Franchisee and the Site's owner or lessor shall sign the Rider to Lease and Collateral Assignment attached as Exhibit B.

Franchisee shall deliver to Franchisor a copy of the fully signed Lease as previously accepted within five (5) days after its full execution. Franchisee shall not execute or agree to any modification of the Lease without Franchisor's prior written acceptance. Franchisee must obtain a fully-signed Lease (in a form which Franchisor has accepted) within thirty (30) days after the date of this Agreement.

If Franchisor or one of its affiliates is the fee simple owner or prime lessee of the Site and/or Store, then simultaneously with signing this Agreement, Franchisee shall sign the form of lease or sublease that Franchisor specifies pursuant to which Franchisee shall lease or sublease the Site and/or Store from Franchisor or such affiliate.

1.2.3 The Site shall not be changed without Franchisor's prior written acceptance of the new Site, which acceptance may be subject to, among other requirements, fulfillment of all obligations in this Agreement and/or that Franchisor then specifies regarding the Store's appearance and required furniture, fixtures and equipment at the new location. Franchisee shall pay Franchisor a relocation fee in an amount equal to Seven Thousand Five Hundred Dollars (\$7,500). Franchisee shall pay such relocation fee to Franchisor at the time Franchisee submits its relocation request package to Franchisor. The relocation fee is refundable only if Franchisor does not accept Franchisee's proposed new Site.

1.3 **Territorial Rights.** Franchisee's "**Protected Territory**" and "**ROFO Territory**" are described on Exhibit A. During the term of this Agreement, and provided Franchisee is not in default under this Agreement, except as otherwise provided in this Agreement:

(a) Franchisor will not operate, or grant a franchise for the operation of, a CD Store the physical premises of which are located within the Protected Territory; and

(b) Franchisor will not operate, or grant a franchise for the operation of, a CD Store the physical premises of which are located within the ROFO Territory unless Franchisor complies with Section 1.4 below (to the extent required).

1.4 **Right of First Offer in ROFO Territory.** Notwithstanding Franchisee's territorial rights under Section 1.3(b), at any time during the term of this Agreement, Franchisor may operate, and grant franchises for the operation of, CD Stores the physical premises of which are located within the ROFO Territory by following the provisions of this Section 1.4.

Except as otherwise provided in this Section 1.4, if, at any time during the term of this Agreement, provided Franchisee is then in full compliance with this Agreement and all other

agreements between Franchisor (or its affiliate) and Franchisee, Franchisor desires to grant to any person or entity the right to develop and operate a CD Store at a site (including, without limitation, a site at which an operating dry cleaning store is located) the physical premises of which are located within the ROFO Territory (the “**Proposed Site**”), and further subject to any restrictions under applicable law, Franchisor will first offer Franchisee the opportunity to acquire the right to develop and operate a CD Store at the Proposed Site by delivering written notice to Franchisee.

(a) Franchisee will then have thirty (30) days after receiving Franchisor’s notice to notify Franchisor in writing whether Franchisee elects to exercise its rights under this Section 1.4. Together with Franchisee’s notice, Franchisee must complete and send Franchisor the forms and other information Franchisor then requires demonstrating Franchisee’s financial and operational ability to develop and operate the CD Store at the Proposed Site. If Franchisee meets Franchisor’s then current qualifications, Franchisor will, subject to any restrictions under applicable law, deliver to Franchisee within a reasonable time after receiving Franchisee’s notice the form of franchise or license agreement and related documents (including personal guarantees) that Franchisor then is using in connection with the grant of rights to develop and operate CD Stores, the terms of which (including, without limitation, fees payable to Franchisor) might be materially different from those contained in this Agreement.

(b) If:

(i) Franchisee and its owners fail to sign and deliver to Franchisor the franchise or license agreement and related documents that Franchisor delivers to Franchisee according to Subsection (a), or to pay the fees owed to Franchisor upon Franchisee’s signing those documents, within thirty (30) days following the date that Franchisor delivers those documents to Franchisee;

(ii) Franchisee informs Franchisor that Franchisee decides not to exercise Franchisee’s rights under this Section 1.4 or Franchisee fails to notify Franchisor of Franchisee’s decision to exercise those rights within the thirty (30)-day period described in subsection (a) above; or

(iii) Franchisee is not eligible to exercise its rights under this Section 1.4 because Franchisee is not then in full compliance with this Agreement and all other agreements between Franchisor (or its affiliate) and Franchisee, or does not meet Franchisor’s then current qualifications for CD Store franchisees;

then Franchisor shall notify Franchisee in writing of Franchisee’s ineligibility for the right of first offer under this Section 1.4 with respect to such Proposed Site, and Franchisor thereafter at any time and without obligation to Franchisee may operate, or grant a franchise for the operation of, a CD Store at the Proposed Site on any terms and conditions Franchisor deems appropriate.

1.5 **Reservation of Rights.** Except as expressly set forth in Section 1.3 hereof (subject to Section 1.4 hereof), during and after the term of this Agreement, Franchisor (on behalf of itself, its affiliates and its designees) retains all rights with respect to CD Stores, the Operating Plans, the Proprietary Marks, and the marketing and sale of any products and services, anywhere in the world, including, without limitation, the right to:

(a) develop and operate, and grant rights to others to develop and operate, CD Stores and any similar or dissimilar businesses at any location outside the Protected Territory and ROFO Territory (including on the border of the ROFO Territory), whether under the Proprietary Marks or other trademarks or service marks, and on any terms Franchisor deems appropriate, including, without limitation, CD Stores the physical premises of which are located outside the Protected Territory and ROFO Territory and which market and/or provide products and services (including, without limitation, delivery services) to customers located within the Protected Territory or ROFO Territory;

(b) market and provide, and grant rights to other persons to market and provide, goods and services similar or dissimilar to, and/or competitive with, those provided at CD Stores, whether identified by the Proprietary Marks or other trademarks or service marks, through any distribution channels, including pick-up and/or delivery services, services to commercial accounts, locker installations, drop-off services at kiosks or other locations that are not fixed-location retail outlets operating as CD Stores, mail order, sales over the Internet and other electronic media, and at any locations, whether within or outside the Protected Territory or ROFO Territory, subject only to Sections 1.3 and 1.4;

(c) be acquired (in whole or in part and regardless of the form of transaction) by a business providing products and services similar or dissimilar to those provided at CD Stores, or by another business, even if such business operates, franchises and/or licenses one or more competitive businesses within the Protected Territory or ROFO Territory; and

(d) acquire (in whole or in part and regardless of the form of transaction) one or more businesses providing products and services similar or dissimilar to those provided at CD Stores, and franchise, license and create other arrangements of any type with respect to those businesses once acquired, wherever these businesses (or the franchisees or licensees of those businesses) are located or operating (whether within or outside the Protected Territory or ROFO Territory).

1.6 **Modifications to Operating Plans.** Franchisee acknowledges that the products and services offered by the Store may be modified (such as, but not limited to, the addition, deletion and modification of operating procedures, products and services) from time to time by Franchisor, and Franchisee agrees to promptly comply, at its expense, with all such modifications, including, without limitation, all requirements needed to implement the modifications, such as replacement or renovation of equipment and/or remodeling, redecoration and modifications to existing improvements, including structural changes as may be more explicitly set forth or referred to elsewhere herein.

Franchisor has the right to operate, develop and change the Operating Plans in any manner that is not specifically prohibited by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may, except as otherwise specifically provided in this Agreement, make its decision or exercise its rights based on the information readily available to it and its judgment of what is in its or its affiliates' best interests and/or the best interests of CD Stores as a whole at the time the decision is made, regardless of whether Franchisor could have made other reasonable or even arguably preferable alternative decisions or whether Franchisor's decision or the action it takes promotes its or its affiliates' financial or other individual interest.

2. **TERM AND RENEWAL**

2.1 **Term of Franchise.** Except as otherwise provided herein, the term of this Agreement (the "**Term**") shall commence on the Effective Date and shall expire, unless sooner terminated, at 11:59 p.m. on the tenth (10th) anniversary of the Effective Date.

2.2 **Renewal of Franchise.** Subject to the provisions of this Section, upon expiration of the Term, Franchisee shall have the right to obtain a renewal franchise to continue to operate the Store under the Operating Plans and the Proprietary Marks (a "**Renewal Franchise**") for one (1) successor term of ten (10) years if: (1) Franchisee and its owners have complied in all material respects with this Agreement during the Term and are then in full compliance with this Agreement; and (2) either (a) Franchisee maintains possession of the Site and agrees (regardless of cost) to remodel and/or expand the Store, add or replace improvements and operating assets, and otherwise modify the Store to bring it into compliance with Operating Plans then applicable for newly constructed CD Stores; or (b) if Franchisee is unable to maintain possession of the Site, or if, in the judgment of Franchisor, the Store should be relocated, Franchisee secures a substitute site within the Protected Territory that Franchisor accepts and agrees to develop expeditiously such substitute site in compliance with specifications and standards then applicable for newly-constructed CD Stores.

Franchisee shall give Franchisor written notice of its election to obtain a Renewal Franchise not more than twelve (12) months, and not less than six (6) months, before this Agreement expires. The grant of a Renewal Franchise shall be conditioned upon Franchisee's continued compliance with all the terms and conditions of this Agreement and the conditions on obtaining a Renewal Franchise that Franchisor specifies up to the date that this Agreement expires. To obtain a Renewal Franchise, Franchisor, Franchisee and its owners shall execute the form of franchise agreement and any ancillary agreements then customarily used by Franchisor in the grant of franchises for the operation of CD Stores (with appropriate modifications to the term and other appropriate provisions to reflect the fact that the agreement relates to a Renewal Franchise), which may contain provisions materially different from those contained in this Agreement, including, without limitation, modifications to the Protected Territory and ROFO Territory and Franchisee's rights with respect thereto, except that (x) such agreement shall not provide for the payment of any renewal fee, and (y) if such form of franchise agreement then provides additional renewal or successor franchise rights to franchisees, then Franchisor will provide such rights to Franchisee under the same terms and conditions as it provides such rights

to other franchisees. As additional consideration for the grant of the Renewal Franchise, Franchisee and its owners shall execute general releases, in form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates and their respective owners, officers, employees, agents, successors and assigns. Failure by Franchisee and its owners to sign and deliver to Franchisor such agreements and releases, and pay the fees then due thereunder, within thirty (30) days after their delivery to Franchisee shall be deemed an election by Franchisee not to obtain a Renewal Franchise.

3. **DEVELOPMENT OF STORE**

3.1 **Securing Governmental Approvals.** Promptly after signing a Lease, Franchisee shall obtain all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations, or which may be necessary or advisable owing to any restrictive covenants relating to the location of the Store. Franchisee shall obtain all permits, licenses and certifications required for the lawful construction, occupancy and operation of the Store.

3.2 **Developing the Store.** Franchisee is responsible for developing the Store at its expense. At Franchisor's option, Franchisee shall engage only the suppliers (including, without limitation, the architect and/or general contractor) that Franchisor designates with respect to the Store's development or relocation. Franchisor will provide Franchisee mandatory and suggested specifications and sample layouts for a CD Store, including, without limitation, requirements or recommendations (as applicable) for a CD Store's design, decor and Operating Assets (defined in Section 3.3). These specifications and sample layouts might not reflect the requirements of any federal, state or local law, code or regulation, including those arising under zoning regulations, environmental laws and regulations, other applicable ordinances, building codes or permit requirements, or any Lease requirements or restrictions.

It is Franchisee's responsibility to prepare all required construction and remodeling plans and specifications to suit the Store and to make sure that they comply with the Americans with Disabilities Act (the "ADA") and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions. Franchisee must submit to Franchisor for its approval all construction and remodeling plans and specifications before beginning build-out for the Store and all revised or "as built" plans and specifications as they are prepared during construction and development. Franchisor's review is limited to ensuring Franchisee's compliance with Franchisor's design requirements and Operating Standards. Franchisor's review is not designed to assess compliance with federal, state, or local laws and regulations (such as the ADA), as compliance with such laws is Franchisee's responsibility. Franchisee agrees to remedy, at its expense, any noncompliance or alleged noncompliance with such laws. Franchisee must develop the Store in accordance with the plans and specifications that Franchisor has approved. Franchisor may, but has no obligation to, periodically inspect the Store's site during its development.

3.3 **Operating Assets.** Franchisee agrees at its expense to construct, install trade dress and furnish all Operating Assets in, and otherwise develop, the Store according to Franchisor's standards, specifications and directions. Franchisee may not install or use any

unauthorized Operating Assets at the Store. Franchisee agrees to purchase or lease from time to time only the approved brands, types and models of Operating Assets according to Franchisor's standards and specifications and, if Franchisor specifies, only from suppliers that Franchisor designates or approves (which may include or be limited to Franchisor and/or its affiliates). "**Operating Assets**" means all fixtures, furnishings, dry cleaning and other equipment, Computer System (defined below) components, décor and signs that Franchisor periodically specifies. The "**Computer System**" means the communications and computer systems, including, without limitation, the computer-based back office and point-of-sale components, dedicated telephone and power lines, modems, printers, credit card terminals and other hardware and operating software (including Payment Card Industry ("**PCI**") compliance software) that Franchisor periodically specifies. Franchisee agrees at its expense to purchase PCI compliance software from an approved third party PCI compliance service provider and to ensure that all operating systems software is regularly maintained and updated in accordance with the manufacturers' specifications and in compliance with PCI compliance standards.

3.4 **Hiring Employees.** Franchisee is solely responsible for hiring all employees who will work at the Store and the terms and conditions of their employment, for all decisions concerning the hiring, firing and discipline of Store employees, and for all other aspects of the Store's labor relations and employment practices. Franchisee shall pay all compensation, travel and other expenses that its employees incur during all training and other pre-opening activities.

3.5 **Opening Store.** Franchisee agrees not to open the Store for business until: (a) Franchisee has properly developed and equipped the Store according to Franchisor's standards and specifications and in compliance with all applicable laws, rules and regulations; (b) all pre-opening training for the Store's personnel has been completed to Franchisor's satisfaction; (c) all amounts that Franchisee then owes to Franchisor or its affiliate have been paid; (d) Franchisee has obtained all required licenses and permits to operate the Store; (e) Franchisee has provided Franchisor copies of all insurance policies required under this Agreement, or such other evidence of insurance coverage and payment of premiums as Franchisor requests; and (f) Franchisor has (at its option but without any obligation to do so) conducted a pre-opening inspection and approved the Store for opening. Franchisor's determination that Franchisee has met all of Franchisor's pre-opening requirements will not constitute a representation or warranty, express or implied, that the Store complies with any laws or constitute a waiver of Franchisee's non-compliance, or of Franchisor's right to demand full compliance, with any provision of this Agreement. Franchisee agrees to obtain Franchisor's approval to open and open the Store for business in accordance with this Agreement on or before the date which is nine (9) months after the Effective Date.

4. **FEES AND PAYMENTS**

4.1 **Franchise Fee.** Franchisor acknowledges receipt from Franchisee of an initial franchise fee in the amount set forth on Exhibit A in consideration of the rights granted hereunder. The initial franchise fee shall be deemed fully earned and non-refundable when paid. Notwithstanding the foregoing, if Franchisee or any of its specified personnel do not satisfactorily complete, in Franchisor's sole judgment, the entire Initial Training, then, upon Franchisor's receipt of general release and termination documents in the form that Franchisor

specifies, Franchisor shall promptly refund seventy-five percent (75%) of the franchise fee paid by Franchisee and this Agreement shall be immediately terminated.

4.2 **Royalty Fee and Rebate.**

4.2.1 **Royalty Fee.** During the Term, Franchisee shall pay to Franchisor (or its designee) a continuing royalty fee in the amount equal to six and one-half percent (6.5%) of the Gross Revenues for the Store for each one week period, or such other period as Franchisor may specify from time to time. “**Gross Revenues**” shall mean revenue from the sale of all products and services and all other income or consideration of every kind and nature received by Franchisee or the Store, including, without limitation, all revenues associated with delivering and/or selling products or services off-premises to customers, and any proceeds from business interruption insurance, whether for cash, credit, charge account, debit account, exchange, barter or otherwise and regardless of collection, less (a) any sales taxes or other taxes collected by Franchisee from its customers and thereafter paid directly to the appropriate taxing authority and (b) any customer discounts or refunds.

4.2.2 **Designated Account.** Prior to the date upon which Franchisee begins business under this Agreement, Franchisee shall establish and shall thereafter continuously maintain a designated bank account in which Franchisee shall deposit all Gross Revenues each business day (the “**Designated Account**”). In accordance with Section 4.3 below, Franchisor shall have the right to require Franchisee to pay from the Designated Account the royalty, Marketing Fund (as defined in Section 9.3) contributions and other amounts owed to Franchisor or its affiliate utilize such methods and procedures for electronic or other funds transfer as Franchisor may specify from time to time.

4.2.3 **Royalty Fee Rebate.** With respect to any fiscal six (6)-month period (i.e. January through June or July through December) or any part thereof if the Term begins or ends during such six month period (each a “**Period**”), if Franchisee has:

- (a) timely paid all amounts owed to Franchisor and its affiliates, whether under this Agreement or any other agreement;
- (b) used only approved advertising and marketing materials in accordance with the terms and conditions of this Agreement;
- (c) timely submitted to Franchisor and its affiliates all records and reports required to be submitted under this Agreement or any other agreement (except as specifically set forth below with respect to a Reporting Default (defined below) that Franchisee has cured in accordance with this Section 4.2.3); and
- (d) not received written notice from Franchisor or any of its affiliates of any default by Franchisee under this Agreement or any other agreement,

then Franchisee shall be entitled to a credit against future royalty fees payable to Franchisor in the amount of one percent (1%) of the Gross Revenues for such Period (the “**Rebate Credit**”). The Rebate Credit (if earned) shall be calculated and applied by Franchisor on each September 1 and March 1, based on the Gross Revenues for the prior Period, and shall serve as a credit against all royalties payable for the weeks following such calculation until reduced to zero.

Franchisee shall only be eligible to receive the rebates specified in this Section 4.2.3 if Franchisee and all of its affiliates are eligible to receive such rebate for all CD Stores that they operate (together with the Store that Franchisee operates under this Agreement, collectively, the “**Affiliated Stores**”). If Franchisee and/or any of its affiliates fails to submit to Franchisor any financial statements, tax returns, or insurance certificates when due under this Agreement or the applicable franchise agreement with respect to any Affiliated Store (a “**Reporting Default**”) on any one occasion (regardless of the number of Affiliated Stores to which that Reporting Default relates), but cures that Reporting Default to Franchisor’s reasonable satisfaction within ten (10) days after Franchisor delivers written notice of the Reporting Default to Franchisee and/or the applicable affiliate, then such Reporting Default will not by itself render Franchisee and its affiliates ineligible for the Rebate Credit for the Period during which such Reporting Default occurs. However, if Franchisee and/or any of its affiliates suffers a second Reporting Default on another occasion during that Period, or fails to satisfy any of the other conditions in (a) through (d) above at any time during that Period, then Franchisee and its affiliates shall be ineligible for the Rebate Credit for that Period with respect to all Affiliated Stores.

Upon expiration or termination of this Agreement, Franchisee shall be entitled to payment for any Rebate Credit due, payable on the next September 1 or March 1 following this Agreement’s expiration or termination, based on the Gross Revenues for the prior Period, unless this Agreement is terminated by Franchisor for any reason, in which case Franchisee shall not be entitled to such payment. For purposes of this Agreement, a fiscal month ends on the last Friday of the calendar month and begins on the first Saturday following the last Friday in a calendar month.

4.3 Time and Manner of Payment. All payments pursuant to Section 4.2, and other amounts that Franchisee periodically owes to Franchisor or its affiliate, are due weekly or at such other interval as Franchisor or such affiliate periodically specifies and are payable in the manner that Franchisor shall specify from time to time. Franchisor shall have the right to require Franchisee to pay the royalty, Marketing Fund contributions and other amounts owed to Franchisor or its affiliate by electronic fund transfer, preauthorized auto-draft arrangement (“**EFT**”), or such other methods as Franchisor shall specify from time to time. Franchisee shall execute the EFT Authorization Documentation attached hereto as Exhibit C and such other agreements and other documents that Franchisor periodically specifies with respect to EFT or any other payment methods.

4.4 Late Payments. Any royalty or other payment owed to Franchisor or its affiliate not made on or before the due date shall be deemed to be overdue; in such event, Franchisee

shall pay Franchisor or such affiliate, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less, calculated on a daily basis. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.5 **Reimbursement of Monies Paid on Behalf of Franchisee.** Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

5. **DUTIES OF FRANCHISOR**

5.1 **Confidential Operating Manual.** In order to protect the reputation and goodwill of Franchisor, to maintain uniform standards of the services, programs and operations offered and sold under Proprietary Marks, and to promote the goodwill of all CD Stores, Franchisor has prepared a confidential operating manual (the “**Manual**”). Subject to the provisions of Article 8, Franchisor shall provide Franchisee access to one copy of the Manual during the Term. Franchisee acknowledges and agrees that Franchisor may, from time to time at its sole option, revise the Manual to incorporate changes to the Operating Plans and Franchisor’s other brand standards and specifications. Franchisee shall promptly implement any changes upon receipt of notice thereof from Franchisor, and shall complete their implementation within such time as Franchisor may specify. Franchisor may also make available to Franchisee other materials as a convenience and does not make any representation or warranty as to the currency or accuracy of the contents of such materials. It is Franchisee’s sole responsibility to comply with all applicable laws in operating the Store, and, with respect to the Computer System, all applicable PCI data security standards.

At Franchisor’s option, Franchisor may post the Manual on Franchisor’s restricted extranet website to which Franchisee and certain employees of Franchisee designated by Franchisor will have access. If Franchisor does so, Franchisee and such employees must sign the agreement(s) that Franchisor periodically specifies pertaining to the use of such website and must monitor the website for any updates to the Manual. Any passwords or other digital identifications necessary to access the Manual on such a website are part of confidential information and must be used and protected accordingly.

Franchisor and Franchisee agree that any materials, guidance or assistance that Franchisor provides with respect to employment-related policies or procedures, whether in the Manual or otherwise, are solely for Franchisee’s optional use. Those materials, guidance and assistance do not form part of the mandatory Operating Plans. Franchisee shall determine to what extent, if any, these materials, guidance or assistance might apply to the Store’s employees. Franchisor and Franchisee recognize that Franchisor neither dictates nor controls labor or employment matters for franchisees and their employees and Franchisor is not responsible for the safety and security of Store employees or patrons.

5.2 **Training.** Franchisor shall offer, at such time(s) and location(s) as it selects, an initial brand standard training program to Franchisee and, during the Term, at the time(s) and location(s) as it selects, make available such other required and optional brand standard training programs as Franchisor deems necessary and appropriate. Such training is described in more detail in Section 6.8 below. Training and travel to and accommodations during training shall be at Franchisee's cost and expense.

5.3 **Marketing, Management and Operating Advice.** Franchisor shall provide such initial and continuing advice to Franchisee in the marketing, management and operation of the Store as Franchisor, in its sole judgment, deems appropriate, at the time(s) and in the manner determined by Franchisor. If Franchisee requests assistance in addition to that which Franchisor customarily furnishes to franchisees, and Franchisor chooses to furnish such assistance to Franchisee, then, in such event, Franchisor shall have the option to impose a reasonable fee, plus expenses, for providing such assistance.

5.4 **Relationship to Other Franchisor Businesses.** In fulfilling its obligations to Franchisee, and in conducting any activities or exercising any rights pursuant to this Agreement or in connection with the CD Store franchise network, Franchisor (and its affiliates) shall have the right (i) to take into account, as it sees fit, the effect on, and the interests of, other stores or businesses in which Franchisor (or its affiliate) has an interest, and on Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other stores or businesses in which Franchisor has an interest, and with its affiliates; and/or (iii) to introduce services, products or operational equipment, and to allocate new products and/or developments between and among franchisees, stores that Franchisor or its affiliates own, and other concepts which may be developed, and/or Franchisor's affiliates, as Franchisor sees fit. Franchisee understands and agrees that all obligations of Franchisor under this Agreement are subject to this Section, and that nothing in this Section shall affect in any way Franchisee's obligations under this Agreement.

6. **DUTIES OF FRANCHISEE**

6.1 **Importance of Compliance with Standards and Operating Plans.** Franchisee understands and acknowledges that Franchisee's adherence to every detail of the Operating Plans is essential to Franchisee and Franchisor in order to develop and maintain quality operating standards and protect Franchisor's reputation and goodwill and the reputation and goodwill of the Proprietary Marks. Franchisee shall maintain Franchisor's high brand standards with respect to all facilities, services, products and operations. Franchisee acknowledges that Franchisor may conduct quality, service, cleanliness, and other inspections of the Store and Franchisee's operations from time to time without notice to Franchisee to determine compliance with this Agreement and the Operating Plans, and that Franchisee's performance in such inspections must meet Franchisor's standards.

6.2 **Use of Store Premises.** Franchisee shall use and occupy the Store's premises solely for the operation of the business franchised hereunder, shall refrain from using or permitting the use of the premises for any other purpose or activity, and shall keep the Store open

and in normal operation for at least such minimum hours and days as Franchisor may specify in the Manual or otherwise in writing, and as may be required by the Lease.

6.3 **Conformity to Operating Plans and Standards.** To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Store in strict conformity with the Operating Plans and such other methods, standards and specifications as Franchisor may from time to time prescribe as being mandatory in the Manual or otherwise in writing. Franchisee shall refrain from (a) deviating from such Operating Plans and other mandatory methods, standards and specifications without Franchisor's prior written consent; and (b) otherwise operating in any manner which reflects adversely on the Proprietary Marks. The Operating Plans and such other mandatory methods, standards and specifications may regulate any aspect of the Store's condition, operation, business and maintenance (subject to Section 5.1 above). Without limiting the generality of the foregoing:

6.3.1 Franchisee shall maintain in sufficient supply, and use at all times, only such products, equipment, materials, signs and supplies (including, but not limited to, employee uniforms) as conform to Franchisor's standards and specifications, and shall refrain from using non-conforming items.

6.3.2 Franchisee shall sell or offer for sale only such products and services as meet Franchisor's uniform standards of quality, have been expressly approved for sale in writing by Franchisor, and comply with Franchisor's customer service standards and other methods and techniques for services; shall sell or offer for sale all products and services required by Franchisor in the Manual or otherwise in writing; shall sell and offer for sale all products and services in compliance with all pricing requirements and restrictions that Franchisor periodically specifies (as Franchisor may periodically modify them), in each case to the maximum extent the law allows; shall not deviate from Franchisor's methods, standards and specifications regarding services provided or products sold, including, without limitation, with respect to credit card and other means of payment; shall participate in all payment, loyalty and other customer programs that Franchisor periodically specifies (as Franchisor may periodically modify them); and shall discontinue selling and offering for sale any products or services which Franchisor may, at its sole option, disapprove in writing at any time. Without limiting the generality of the foregoing, Franchisee agrees that it shall not offer or provide any pick-up, delivery, or similar route sales services, or any drop-off or other remote access services, at or in connection with the Store, unless Franchisee (a) obtains Franchisor's prior written approval to provide such services, (b) complies with the Operating Plans and other standards that Franchisor periodically specifies relating to those services, and (c) provides those services directly to end-user customers. Franchisee may not provide any services to any person whom Franchisee knows or should know will provide delivery or similar route sales services to end-user customers for a fee or other consideration.

6.3.3 Franchisee shall participate in and comply with the quality assurance and customer satisfaction procedures and programs that Franchisor periodically develops and modifies.

6.3.4 Franchisee shall comply with Franchisor's standards pertaining to use of blogs and other forms of social media and shall display promotional signs and written point-of-sale and other promotional materials and participate in other promotions in the manner and for the time periods specified by Franchisor.

6.3.5 Franchisee shall comply with PCI compliance standards and other standards that Franchisor periodically specifies pertaining to the privacy and security of information and data generated in connection with the operation of the Store.

Any failure by Franchisee to adhere thereto or to pass Franchisor's periodic brand standard quality control inspections shall constitute grounds for Franchisor's termination of this Agreement.

6.4 **Approved Suppliers.** Franchisee shall purchase all Operating Assets and other products, equipment, supplies and services for the Store solely from suppliers (including manufacturers, wholesalers and distributors) who demonstrate, to Franchisor's continuing satisfaction, the ability to meet Franchisor's standards and specifications for such items and for the supplier's business operations; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who, if Franchisor requires, have been approved by Franchisor in the Manual or otherwise in writing and not thereafter disapproved, and who might include or be limited to Franchisor or its affiliate. Franchisee shall purchase products and services from approved suppliers according to any payment and other terms (including, without limitation, automatic debit arrangements) that Franchisor or the vendor periodically specifies for these purchases. If Franchisee desires the approval of other suppliers, Franchisee shall submit to Franchisor a written request to approve the proposed supplier, together with such evidence of conformity with Franchisor's standards and specifications as Franchisor may reasonably require. Franchisor shall have the right to inspect and evaluate the supplier's facilities and business operations and test the item to be supplied, and Franchisee shall pay all of Franchisor's reasonable expenses incurred in so doing. Franchisor may approve or disapprove new suppliers in its sole judgment. Franchisor may revoke its approval at any time if Franchisor determines, in its sole judgment, that the supplier no longer meets Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee shall immediately cease purchasing from any disapproved supplier.

Franchisor may from time to time modify the list of designated and approved suppliers and may designate itself or an affiliate as a designated or approved supplier of certain products and services. Franchisor may designate or approve a single supplier for any products or services and may designate or approve a supplier only as to certain products or services, and such approval may be temporary pending a further evaluation by Franchisor. Franchisor may concentrate purchases with one or more suppliers to obtain lower prices, advertising support and/or services for the benefit of the CD Store network, or for any other reason that Franchisor deems appropriate. In that case, Franchisor may limit the number of suppliers with whom Franchisee may deal, designate sources that Franchisee must use (which might include or be limited to Franchisor or its affiliate), and/or refuse any request by Franchisee for another approved supplier of any applicable product or service.

Franchisee acknowledges and agrees that Franchisor and/or its affiliates may derive revenue based on the purchases and leases of Franchisee and other franchisees of Franchisor, including, without limitation, from charging for products and services that Franchisor and its affiliates provide to Franchisee and other franchisees and from promotional allowances, volume discounts and other payments made to Franchisor and its affiliates from suppliers to some or all of Franchisor's franchisees. Franchisor and its affiliates may retain all such revenue without restriction (unless the supplier requires otherwise).

6.5 **Maintenance of Store Premises and Operating Assets.** Franchisee shall, at its expense, maintain the Store's premises (including adjacent public areas) in a clean, orderly condition and in excellent repair in the manner that Franchisor prescribes from time to time in the Manual or otherwise in writing. In connection therewith, Franchisee shall, at its expense, make such additions, alterations, repairs, and replacements to the Store (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting, repairing and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment and decor as Franchisor may reasonably direct by written notice to Franchisee. Franchisee shall complete all work specified in the notice within thirty (30) days after receipt of such notice.

Franchisee agrees to use in the development and operation of the Store only those brands, types, makes and/or models of Operating Assets, and to obtain such service and support therefor, as Franchisor from time to time requires. Periodically during the Term, Franchisor may modify specifications for and components of the Operating Assets, and the service and support therefor, provided that such modifications are consistent with modifications that Franchisor implements with respect to other similarly situated CD Stores. These requirements and modifications, and/or other technological developments or events, may require Franchisee to purchase, lease and/or license new or modified Operating Assets and to obtain additional service and support. Although Franchisor cannot estimate the future costs thereof, Franchisee agrees to incur such costs. Within thirty (30) after receiving notice from Franchisor, Franchisee agrees to obtain the new or modified Operating Assets, and the service and support therefor, as applicable, that Franchisor designates in accordance with the terms and conditions of this Agreement and ensure that the Operating Assets, as modified, are functioning properly.

If Franchisee fails to comply with its obligations under this Section, then, in addition to Franchisor's other rights and remedies, upon receiving Franchisor's invoice, Franchisee shall pay Franchisor an administrative fee of Five Hundred Dollars (\$500) per day for each day of such failure, which Franchisee acknowledges estimates the increased administrative costs and expenses that Franchisor will incur due to such failure.

6.6 **Refurbishing the Store.** Unless sooner required by the Lease, at any time during or after the fifth (5th) year following the Effective Date, Franchisee shall, at Franchisor's request, substantially rebuild and refurbish the Store's premises at Franchisee's expense to conform to the building design, trade dress, color schemes and presentation of the Proprietary Marks in a manner consistent with the then current public image for new or remodeled CD Stores, including, without limitation, replacement or renovation of a substantial portion of the Operating Assets, remodeling, redecoration and modifications to existing improvements and

equipment and reasonable structural changes; provided, however, that the cost to Franchisee for such refurbishment shall not exceed Seventy Five Thousand Dollars (\$75,000). All such renovations and refurbishment shall be done in accordance with plans provided by or approved by an architect approved by or specified by Franchisor. Nothing in this Section shall limit Franchisor's rights under Section 6.5.

6.7 **Access to Store.** Franchisee shall allow Franchisor and its agents and representatives entry on the Store's premises at any time for the purpose of observing Franchisee's operations, discussing brand standards issues with personnel and customers of the Store, conducting inspections and conducting repairs and maintenance on behalf of Franchisee at Franchisee's cost and expense. Franchisee agrees to cooperate fully with Franchisor and its agents and representatives in connection with any such activities by rendering such assistance as they may reasonably request and, upon written notice from Franchisor and without limiting Franchisor's other rights hereunder, shall promptly correct such deficiencies discovered during any such inspection.

6.8 **Franchisee Training.**

6.8.1 Franchisee (or, if Franchisee is a corporation, partnership or other entity, the "**Designated Principal**" identified on Exhibit A) and those employees of Franchisee specified by Franchisor shall attend and complete, to Franchisor's satisfaction, the pre-opening brand standard initial training program that Franchisor specifies ("**Initial Training**"). Franchisor shall provide training, instructors, a training manual, and other materials for such Initial Training as Franchisor deems necessary. The cost of Initial Training to Franchisee is included in the initial franchise fee for up to two (2) trainees to attend Initial Training. Initial Training for additional trainees or for a longer period is subject to Franchisor's consent and shall require payment of a training fee to Franchisor. Franchisee shall be responsible for any and all other expenses incurred during the Initial Training or additional Initial Training, including, without limitation, the costs of transportation, lodging, meals and any compensation due to its personnel.

6.8.2 If Franchisor approves a third party to be the Store manager in accordance with Section 15.1 below, then the Store manager shall attend the applicable Initial Training described in Section 6.8.1.

6.8.3 Franchisor shall have the right to terminate this Agreement if, at any time during the Initial Training or additional Initial Training, it concludes, in its sole judgment, that Franchisee, the Designated Principal or Store manager does not possess the skills necessary to properly fulfill and discharge the demands and responsibilities required to operate the Store.

6.8.4 Franchisee and other employees designated by Franchisor also shall attend such additional brand standard training programs and complete other training-related requirements as Franchisor may reasonably require from time to time and at any time. Franchisee shall be responsible for any and all other expenses incurred in connection with additional training programs and training requirements, including, without limitation,

Franchisor's reasonable training fees and costs of transportation, lodging, meals and any compensation with respect to any training program participant associated with Franchisee. Franchisee acknowledges that, subject to Franchisor's providing Initial Training, Franchisee is solely responsible for ensuring that its employees are trained to operate the Store.

6.9 **Franchisee Employee Policy.** Franchisee shall be solely responsible for all employment decisions with respect to the Store, including, without limitation, those related to hiring, firing, compensation, personnel policies, benefits, record keeping, supervision and discipline, and regardless of whether Franchisee received advice from Franchisor on such subjects.

6.10 **Franchisee Lease Provisions.** Franchisee shall comply with all terms of the Lease and shall refrain from any activity which may jeopardize the rights of Franchisee, Franchisor or its designee to remain in possession or to renew the Lease. Franchisee shall, prior to the execution of any Lease or renewal or amendment of the Lease, submit it to Franchisor for its written acceptance. Franchisor's acceptance, which shall not be deemed to be an endorsement of the legal or business terms of the Lease, may be conditioned upon Franchisee's and the landlord's signing the Rider to Lease and Collateral Assignment attached as Exhibit B and upon the inclusion of any one or more the following terms and conditions:

6.10.1 That the initial term of the Lease, or the initial term together with renewal terms, shall be for at least ten (10) years;

6.10.2 That the lessor consents to Franchisee's use of the Proprietary Marks and signage as Franchisor may now or hereinafter prescribe for the Store;

6.10.3 That the use of the leased premises be restricted solely to the operation of the Store;

6.10.4 That Franchisee be prohibited from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the Lease without Franchisor's prior written consent;

6.10.5 That Franchisor have the right to enter, and have its agents and representatives enter, the Site to make modifications necessary to protect the Proprietary Marks or to cure any default under this Agreement or under the Lease;

6.10.6 That no amendment to the Lease may be made without at least thirty (30) days' notice to Franchisor and without Franchisor's prior written consent, which consent shall not be unreasonably withheld; and

6.10.7 That if Franchisor so directs, all Store signage may be changed without landlord's further consent.

6.11 **Compliance with Governmental Requirements.** Franchisee shall comply with all federal, state and local laws, rules and regulations, including but not limited to environmental

laws, OSHA and labor laws, and shall timely obtain any and all permits, certificates and licenses necessary for the full and proper conduct of the Store, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, certificates of occupancy and fire clearances. Franchisee shall notify Franchisor by telephone and facsimile within twenty-four (24) hours after receipt of any notice alleging a possible health or safety problem relating to the Store, and also shall furnish to Franchisor, within three (3) days after receipt thereof, a copy of any notice alleging non-compliance with any law, rule or regulation relating to the Store.

6.12 **Notification of Legal Proceedings and Loan Defaults.** Franchisee shall notify Franchisor in writing within five (5) days after the commencement of any action, suit or proceeding, or the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which might adversely affect the operation or financial condition of the Store or the goodwill associated with the Proprietary Marks. Franchisee also shall notify Franchisor in writing within five (5) days after breaching, or being notified of its alleged breach of, any material representation, warranty, covenant or other agreement with any lender that provided or is providing financing relating to Franchisee's acquisition or operation of the Store (a "**Lender**"). Franchisee hereby irrevocably authorizes Franchisor to contact any Lender from time to time to discuss any matters pertaining to this Agreement and/or Franchisee's arrangements with the Lender, including, without limitation, any alleged defaults by Franchisee thereunder.

7. **PROPRIETARY MARKS**

7.1 **Franchisee's Use of Proprietary Marks.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement:

7.1.1 Franchisee shall use only the Proprietary Marks designated by Franchisor and shall use them only in the manner authorized and permitted by Franchisor;

7.1.2 Franchisee shall use the Proprietary Marks only for the operation of the Store and only at the Site or in approved advertising for the Store in accordance with this Agreement;

7.1.3 Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Store only under the Proprietary Marks authorized for use by Franchisor;

7.1.4 Franchisee shall identify itself as an independent franchisee-owner of the Store in conjunction with any use of the Proprietary Marks or the operation of the Store and shall place a written notice to such effect, in a form approved by Franchisor, in a conspicuous location on the Store's premises;

7.1.5 Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement and a breach of this Agreement;

7.1.6 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

7.1.7 Franchisee shall execute any documents deemed necessary by Franchisor or its affiliates to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability at Franchisee's expense;

7.1.8 Franchisee shall promptly notify Franchisor of any suspected unauthorized use of, or any challenge to the validity or use of, any of the Proprietary Marks. Franchisor (or its affiliate) shall have the sole right to determine whether any action should be taken, and, if any action is taken, Franchisor (or its affiliate) shall have the right to direct and control any such action, including the conduct of an administrative proceeding or litigation or other adjudicative proceeding involving the Proprietary Marks, including any settlement thereof. Franchisee shall have no right, independent of Franchisor, to make any demand against any such user or challenger or to prosecute any claim of any kind or nature whatsoever relating to any of the Proprietary Marks;

7.1.9 In the event of any administrative proceeding, litigation or other dispute relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a party to any legal action. Franchisor (or its affiliate) shall have the right to direct and control any such proceeding, litigation or dispute (including any settlement thereof); and

7.1.10 Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name, or in whole or in part as a domain name, home page, electronic address, metatag or otherwise in connection with any website.

7.2 **Franchisee Representations Concerning Proprietary Marks.** Franchisee expressly agrees and acknowledges that:

7.2.1 The Proprietary Marks are valid and serve to identify CD Stores;

7.2.2 During the Term and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity or ownership of the Proprietary Marks, nor take any other action which may tend to derogate or jeopardize Franchisor's (or its affiliate's) interest therein, or Franchisor's (or its affiliate's) right to use, and to license others to use, the Proprietary Marks;

7.2.3 Franchisee's use of the Proprietary Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, other than the license granted by this Agreement;

7.2.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor and its affiliates;

7.2.5 Except as specified in Sections 1.3 and 1.4, Franchisor and its affiliates shall have and retain the rights, among others: (a) to use the Proprietary Marks themselves in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks and to grant licenses or franchises thereto without providing any rights therein to Franchisee; and

7.2.6 Franchisor reserves the right from time to time to add or substitute different marks for use in identifying the Store and/or other CD Stores if the Proprietary Marks no longer can be used, or if Franchisor, in its sole judgment, determines that addition or substitution of different marks will be beneficial to Franchisor. In such circumstances, the use of the additional or substituted marks shall be governed by the terms of this Agreement, and Franchisor shall not compensate Franchisee for such addition or substitution or the costs to Franchisee associated therewith. Franchisee shall implement promptly any such substitution at Franchisee's expense.

8. CONFIDENTIAL MANUAL AND INFORMATION

8.1 **Keeping Manual Confidential.** Franchisee shall treat the Manual, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. The Manual shall at all times remain the sole property of Franchisor.

8.2 **Keeping Manual Current.** Franchisee shall insure that the Manual at the Store is updated promptly upon receipt of updates or substitutions from Franchisor, which updates or substitutions may be made to the electronic version of the master copy of the Manual maintained by Franchisor and, in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall be controlling.

8.3 **Protection of Confidential Information.** Franchisee shall not, during the Term or after its expiration or termination, communicate, divulge or use for the benefit of any other person or business any confidential information, knowledge or know-how concerning the marketing, management or operations plans of a CD Store or Franchisor which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation hereunder. Franchisee shall divulge such confidential information only to those employees who need to know such information and who must have access to it in order to perform their employment responsibilities, and who shall keep such information confidential. Any and all information, knowledge, know-how and techniques which Franchisor designates as confidential shall be deemed confidential for purposes hereof. Without limiting the generality of the foregoing, Franchisee acknowledges and agrees that all Store customer data and information stored in the Computer System and elsewhere at the Store (including, but not limited to, customers' names, addresses, and information on previous purchases), and all system-wide, regional and local reports concerning the results and/or prospects of the Store and other CD

Stores (including, without limitation, forms, processes and methodologies used in connection with such reports), shall be deemed confidential information under this Agreement.

8.4 **Irreparable Injury from Disclosure of Confidential Information.** Franchisee acknowledges that any failure to comply with any of the requirements of this Article 8 will cause Franchisor, its affiliates and other franchisees irreparable injury for which no adequate remedy at law may be available. Franchisee agrees that Franchisor may seek, and Franchisee agrees to pay all court costs and attorneys' fees incurred by Franchisor in obtaining, without posting a bond, an *ex parte* order for injunctive or other legal or equitable relief with respect to the requirements of this Article 8.

8.5 **Covenants from Individuals Associated with Franchisee.** Franchisee shall ensure that anyone associated with Franchisee shall keep confidential all confidential information received about Franchisor and the Store. At Franchisor's request, Franchisee shall require anyone who may have access to confidential information to execute confidentiality covenants in a form approved by Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

8.6 **Innovations.** All ideas, concepts, techniques and materials relating to a CD Store ("Innovations"), whether or not protectable intellectual property and whether created by or for Franchisee or its owners, employees or contractors, must be promptly disclosed to Franchisor and will be deemed to be Franchisor's sole and exclusive property and works made-for-hire for Franchisor. To the extent any Innovation does not qualify as a "work made-for-hire" for Franchisor, by this paragraph Franchisee assigns ownership of that item, and all related rights to that item, to Franchisor and agrees to sign (and to cause its owners, employees and contractors to sign) whatever assignment and other documents Franchisor periodically requests to evidence Franchisor's ownership and to help it obtain intellectual property rights in the item. Franchisee may not use any Innovation in operating the Store or otherwise without Franchisor's prior approval.

9. **ADVERTISING**

Recognizing the value of advertising and promotion to the furtherance of the goodwill and public image associated with the Proprietary Marks, the parties agree as follows:

9.1 **Franchisor's Approval of Advertising.** All advertising and promotion by Franchisee shall be in such media and of such type and format as Franchisor may periodically approve, shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may periodically specify. Franchisee shall submit samples of all proposed advertising and promotional plans and materials to Franchisor for its approval at least thirty (30) days before their intended use, unless such plans and materials were prepared or approved by Franchisor within the last six (6) months. No such plans or materials shall be used unless and until Franchisor shall have furnished written notice authorizing such use. Franchisor also shall have the right, at any time after use of such materials commences, to prohibit further use, effective upon delivery of written notice to Franchisee.

9.2 **Initial Opening Promotion.** Franchisor shall prepare an initial grand opening advertising and marketing program for the Store requiring Franchisee to spend the amount that Franchisor specifies (not to exceed Fifteen Thousand Dollars (\$15,000)). Franchisee agrees to execute the program in the manner that Franchisor specifies. Despite Franchisor's development of the Store's initial grand opening advertising and marketing program, Franchisor makes no representation or warranty, and assumes no liability, relating to such program's impact or benefit.

9.3 **Marketing Fund.** Franchisor shall institute, maintain and administer a marketing fund (the "Marketing Fund") to promote CD Stores in the United States subject to the terms and conditions of this Section 9.3. Franchisee shall contribute to the Marketing Fund the amount that Franchisor periodically specifies, which will not exceed three percent (3%) of Gross Revenues, payable to Franchisor by separate check or transfer at the same time and in the same manner as the royalty due hereunder. CD Stores in the United States which are owned by Franchisor or its affiliates, to the extent Franchisor has the right to require such affiliates to do so, shall contribute to the Marketing Fund on the same basis as Franchisee.

Franchisor shall direct all programs and activities financed by the Marketing Fund, with sole control over the strategic direction, creative concepts, materials and endorsements used and the geographic, market, and media placement and allocation thereof. The Marketing Fund may be used to pay various costs and expenses, including, without limitation: preparing, producing and placing video, audio and written advertising materials and electronic media, including the System Website(s) (defined below); interest on borrowed funds; costs to prepare and place coupons and inserts in newspapers and other publications; sponsorship of sporting, charitable, entertainment or other events; reasonable salaries and expenses of employees of Franchisor and its affiliates working for or on behalf of the Marketing Fund or on advertising, marketing, and public relations materials, programs, activities and promotions for the benefit of the Marketing Fund; administrative costs and overhead of Franchisor and its affiliates incurred in activities reasonably related to the administration of the Marketing Fund, including, but not limited to, collecting and accounting for Marketing Fund contributions and taxes on Marketing Fund contributions; purchasing direct mail, radio, television and other media advertising and employing advertising agencies and other professionals to assist therewith; and supporting public relations, market and consumer research and other advertising, promotional and marketing activities, including, but not limited to, testing and test marketing programs, fulfillment charges, and development, implementation and testing of trade dress and design prototypes. The Marketing Fund also may reimburse CD Store operators (including, without limitation, Franchisor and its affiliates) for certain approved marketing expenditures that Franchisor periodically specifies. Franchisee agrees to participate in all programs instituted by the Marketing Fund. At Franchisor's option, the Marketing Fund will furnish Franchisee with reasonable quantities of marketing, advertising and promotional formats and sample materials at cost, plus any related shipping, handling and storage charges.

The Marketing Fund shall be accounted for separately, but shall not be required to be segregated, from the other funds of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration or

activities of the Marketing Fund or the creation or conduct of its marketing programs, including, without limitation, conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Marketing Fund. The Marketing Fund is not Franchisor's asset nor a trust, and Franchisor does not have a fiduciary duty to Franchisee for maintaining, directing or administering the Marketing Fund or for any other reason. Franchisor may spend in a fiscal year an amount greater or less than the aggregate contributions of all CD Stores to the Marketing Fund in that year. The Marketing Fund may borrow from Franchisor or other lenders at standard commercial interest rates to cover deficits or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay costs of the Marketing Fund before other assets of the Marketing Fund are expended. An annual, unaudited statement of monies collected and costs incurred by the Marketing Fund for Franchisor's immediately preceding fiscal year shall be made available to Franchisee. Franchisor will have the right to cause the Marketing Fund to be incorporated or operated through an entity separate from Franchisor at such time as Franchisor deems appropriate, and such successor entity shall have all rights and duties of Franchisor pursuant to this Section.

Franchisee understands and acknowledges that the Marketing Fund is intended to maximize recognition of the Proprietary Marks and CD Stores in the United States generally. Although Franchisor will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs, and to place and conduct advertising and marketing, in order to benefit all CD Stores that contribute to the Marketing Fund, Franchisor undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions by CD Stores operating in that geographic area or that any CD Store will benefit directly or in proportion to its contribution from the development of advertising and marketing materials or the placement and conduct of advertising or marketing. Franchisee acknowledges that its failure to derive any such benefit will not serve as a basis for a reduction or elimination of its obligation to contribute to the Marketing Fund. Franchisor has the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. Franchisor also may forgive, waive, settle and compromise all claims by or against the Marketing Fund without affecting the obligations of any other contributor to the Marketing Fund. Except as expressly provided in this Section, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction, or administration of the Marketing Fund.

Franchisor reserves the right, at any time and from time to time, to suspend contributions of one or more franchisees to, and operations of, the Marketing Fund for such periods that it determines to be appropriate and to terminate the Marketing Fund upon written notice to Franchisee. All unspent monies on the date of termination shall be distributed to Franchisor, its affiliates and franchisees in proportion to their respective contributions to the Marketing Fund during the preceding twelve (12)-month period. Franchisor has the right to reinstate the Marketing Fund upon the same terms and conditions set forth herein upon thirty (30) days' prior written notice to Franchisee.

9.4 **System Website.** At Franchisor's option, Franchisor or one or more of its designees may establish one or more websites to advertise, market, and promote CD Stores and the products and services that they offer and sell (each a "**System Website**"). If Franchisor establishes one or more System Websites, Franchisor will provide Franchisee with a webpage that references the Store on the System Website that Franchisor designates. Franchisee must give Franchisor the information and materials that Franchisor requests from time to time to develop, update and modify such webpage. By providing the information and materials to Franchisor, Franchisee will be representing to Franchisor that they are accurate and not misleading and do not infringe any third party's rights. However, Franchisor will own all intellectual property and other rights in the System Websites, Franchisee's webpage, and all information they contain (including, without limitation, the domain name or URL for such webpage, the log of "hits" by visitors, and any personal or business data that visitors supply).

Franchisor will maintain the System Websites, including Franchisee's webpage, and may use the Marketing Fund's assets to develop, maintain and update the System Websites. Franchisor periodically may update and modify the System Websites (including Franchisee's webpage). Franchisee must notify Franchisor whenever any information on Franchisee's webpage changes or is not accurate. Franchisor will update or add information that Franchisor approves to Franchisee's webpage at reasonable intervals. Franchisee acknowledges that Franchisor has final approval rights over all information on the System Websites (including Franchisee's webpage). Franchisor may implement and periodically modify standards relating to the System Websites with which Franchisee must comply.

Franchisor will maintain Franchisee's webpage on the System Website only while Franchisee is in full compliance with this Agreement and all standards that Franchisor specifies (including, without limitation, those relating to the System Website). If Franchisee is in default of any obligation under this Agreement, then Franchisor may, in addition to its other remedies, temporarily remove Franchisee's webpage from the System Website until Franchisee fully cures the default. Franchisor will permanently remove Franchisee's webpage from the System Website upon this Agreement's expiration or termination. Franchisor also may, at its option, discontinue any or all System Websites at any time.

All advertising, marketing and promotional materials that Franchisee develops for its Store must contain notices of the System Website's domain name in the manner Franchisor designates. Franchisee may not develop, maintain or authorize any other website, other online presence or other electronic medium that mentions or describes Franchisee or the Store or displays any of the Proprietary Marks. Franchisee may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet.

Nothing in this Section shall limit Franchisor's right to maintain websites other than the System Websites and to offer and sell products and services from the System Websites, another website or otherwise over the Internet without payment or obligation of any kind to Franchisee.

9.5 **Advertising Cooperatives.** Franchisor may designate a geographic area in which two (2) or more CD Stores are located as a region for an advertising cooperative (a

“Cooperative”). The Cooperative’s members in any region are the owners of all of the CD Stores operating in that region (including Franchisor and its affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that Franchisor determines. Franchisor may change, dissolve and merge Cooperatives. Each Cooperative’s purpose is, with Franchisor’s approval, to administer advertising programs and develop advertising, marketing and promotional materials for the region that the Cooperative covers. If, as of the Effective Date, Franchisor has established a Cooperative for the region in which the Store is located, or if Franchisor establishes a Cooperative in that region during this Agreement’s term, Franchisee must sign the documents Franchisor requires to become a member of the Cooperative and participate in the Cooperative as those documents require.

In addition to the Marketing Fund contribution described in Section 9.3 above, Franchisee must contribute to the Cooperative the amounts that the Cooperative determines, which amounts are subject to Franchisor’s approval. However, Franchisor will not require Franchisee to contribute more than two percent (2%) of Gross Revenues to any Cooperative. All material decisions of the Cooperative, including contribution levels (which also require Franchisor’s approval), will require the affirmative vote of at least fifty-one percent (51%) of all the CD Stores operating within the Cooperative’s area (including, if applicable, those operated by Franchisor and its affiliates), with each store receiving one (1) vote.

Franchisee agrees to submit to Franchisor and the Cooperative any reports that Franchisor or the Cooperative requires. The Cooperative will operate solely to collect and spend Cooperative contributions for the purposes described above. The Cooperative and its members may not use any advertising, marketing or promotional programs or materials without Franchisor’s prior written consent.

10. **INSURANCE**

10.1 **Franchisee’s Insurance Obligation.** Franchisee shall procure, prior to the Store’s grand opening, and shall maintain in full force and effect at all times during the Term, at Franchisee’s expense, an insurance policy or policies against any demand or claim with respect to personal and bodily injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring at or in connection with the Store, including, without limitation, the insurance as set forth in the Manual. In addition, in connection with any construction, renovation, refurbishment or remodeling of the Store, Franchisee shall maintain Builder’s All Risks insurance and performance and completion bonds. All such policy or policies shall: (i) be written by insurer(s) acceptable to Franchisor and have an A.M. Best rating of A-VII or greater; (ii) name Franchisor, its affiliates, and their respective owners, officers, employees and agents as additional insureds; (iii) comply with the insurance requirements prescribed by Franchisor at the time such policies are obtained; (iv) provide at least the types and minimum amounts of coverage specified in the Manual; and (v) contain a waiver by Franchisee and its insurers of their subrogation rights against Franchisor and its affiliates, and their respective owners, officers, employees and agents. Franchisee shall obtain prior acts coverage for a period of two (2) years following expiration or termination of this Agreement. Franchisor may periodically increase the amounts of coverage required under such policy or policies and/or require different or additional

insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances.

10.2 **Franchisee's Insurance Obligation Not Affected by Franchisor's Insurance.** Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor or its affiliates, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions of this Agreement or any related agreement.

10.3 **Additional Required Endorsements.** All insurance policies shall contain a provision stating that Franchisor, although named as an additional insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor, its affiliates, or their respective owners, officers, employees and agents by reason of their negligence. At Franchisor's option, all insurance policies shall name Franchisor or its affiliates as a loss payee.

10.4 **Certificates of Insurance.** At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no fewer than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the insurance required by this Section 10.4 shall name Franchisor, each of its affiliates, and their respective owners, officers, employees, agents and such other persons as Franchisor shall specify from time to time as additional insureds, and shall expressly provide that any interest of each shall not be affected by any breach by Franchisee of any policy provisions for which such Certificates evidence coverage.

10.5 **Franchisor's Right to Secure Insurance on Behalf of Franchisee.** Should Franchisee, for any reason, fail to procure and maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the Manual or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to immediately procure such insurance and to charge the premium on such insurance to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor might have.

11. **ACCOUNTING AND RECORDS**

11.1 **Computer System.** Franchisee shall, at its expense, provide such assistance as may be required to connect its Computer System with Franchisor's computer system and allow Franchisor unlimited, independent access to, and the ability to download, all information in Franchisee's Computer System at any time. Franchisor shall have the right from time to time and at any time to retrieve such data and information from Franchisee's Computer System as Franchisor, at its sole option, deems necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with

each other, Franchisee expressly agrees that it will strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's Computer System.

11.2 **Maintenance of Computer System.** To ensure full operational efficiency and optimum communication capability between and among computer systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, to keep its Computer System in good maintenance and repair, and, at its expense, to promptly install such additions, changes, modifications, substitutions and/or replacements to Franchisee's Computer System as Franchisor periodically directs.

11.3 **Maintenance of Records.** Franchisee shall prepare, during the Term, and shall preserve for at least seven (7) years from the dates of their preparation, and in any event for as long as any applicable law requires, complete and accurate books, records, and accounts for the Store and Franchisee's business in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing.

11.4 **Submission of Financial Statements and Tax Returns.** Franchisee shall, at its expense, prepare and deliver to Franchisor financial statements showing the results of operations of the Store for each fiscal month (including year-to-date information) and each fiscal year during the Term using the forms and formats that Franchisor periodically specifies. The statements shall include an income statement (both consolidated and for each CD Store if Franchisee and its affiliates collectively operate more than one CD Store), a balance sheet and a statement of cash flows. For financial statements covering a fiscal year, the statements shall, at Franchisor's option, be accompanied by a review report, prepared by an independent certified public accountant approved by Franchisor. Financial statements shall be furnished within fifteen (15) days after the end of each fiscal month and within sixty (60) days after the end of each fiscal year. Franchisee also shall submit, within five (5) days of filing, its federal and state tax returns for each year during the Term; provided, however, that if Franchisee is an individual, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Store.

11.5 **Submission of Periodic Reports.** Franchisee shall, at its expense, provide Franchisor, on forms and in the manner prescribed by Franchisor, with (i) daily operating reports reflecting the Store's operations during the previous day; (ii) weekly reports of the Store's Gross Revenues; and (iii) such other data and information regarding the operation of the Store (other than employee-related information) as Franchisor may periodically require, within the time frames established by Franchisor from time to time. The weekly report of Gross Revenues shall be due by the close of the first business day of the following week, or such other time as Franchisor may specify. Franchisee's submitting reports and other information to Franchisor is deemed to be Franchisee's representation that such reports and information are true and correct.

11.6 **Submission of Additional Reports.** Franchisee also shall provide to Franchisor, for review or auditing, such other forms, sales reports, cash register receipts, records, information and data (other than employee-related information) as Franchisor may reasonably request, on the forms and in the manner as are reasonably requested from time to time by Franchisor.

11.7 **Right to Audit Franchisee Records.** Franchisor and its agents and representatives shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, accounts and business tax returns of Franchisee and the Store. Franchisor shall also have the right, at any time, to have an independent audit made of the books and records of Franchisee and the Store. If an inspection or audit reveals an underpayment of any amounts due to Franchisor or its affiliates, Franchisee shall immediately pay the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum calculated daily, or the maximum rate permitted by law, whichever is less. If an inspection or audit discloses an understatement in any report of two percent (2%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor might have because of such under-reporting.

12. **TRANSFER OF INTEREST**

12.1 **Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity and may change its ownership or form without restriction. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets or its Proprietary Marks; may sell its securities in a public offering or in a private placement; may merge, acquire other companies, or be acquired by another company; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

12.2 **Transfer by Franchisee.** Franchisee understands and acknowledges that Franchisor has granted the rights set forth in this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee or, in the case of a business entity Franchisee, the owner(s) of any direct or indirect interest in Franchisee. Accordingly, neither: (i) this Agreement (or any interest in this Agreement); (ii) the Store (or any right to receive all or a portion of the Store's profits or losses or any capital appreciation relating to the Store); (iii) all or substantially all of the Operating Assets; nor (iv) any ownership interest in Franchisee (if Franchisee is a business entity) or in any of Franchisee's direct or indirect owners (if they are business entities) may be transferred without Franchisor's prior written approval, which Franchisor will not unreasonably withhold if the transfer meets all of the requirements in this Article 12. A transfer of the Store's and/or the Operating Assets' ownership, possession or control may be made only with a transfer of this Agreement. Any transfer without Franchisor's approval is a breach of this Agreement and has no effect. In this Agreement, the term "**transfer**" includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes, without limitation, the following events:

(a) transfer of record or beneficial ownership of stock or any other ownership interest or right to receive all or a portion of Franchisee's profits or losses or any capital appreciation relating to Franchisee or the Store;

(b) a merger, consolidation or exchange of ownership interests, or issuance of additional ownership interests or securities representing or potentially representing ownership interests, or a redemption of ownership interests;

(c) any sale or exchange of voting interests or securities convertible to voting interests, or any management agreement or other agreement granting the right to exercise or control the exercise of the voting rights of any owner or to control Franchisee's or the Store's operations or affairs;

(d) transfer of an interest in Franchisee, this Agreement, the Operating Assets or the Store (or any right to receive all or a portion of Franchisee's or the Store's profits or losses or any capital appreciation relating to Franchisee or the Store) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

(e) if Franchisee (or one of its owners) dies, transfer of an interest in Franchisee, this Agreement, the Operating Assets or the Store (or any right to receive all or a portion of Franchisee's or the Store's profits or losses or any capital appreciation relating to Franchisee or the Store) by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(f) the grant of a mortgage, charge, pledge, collateral assignment, lien or security interest in any interest in this Agreement, the Store, any of the Operating Assets or an ownership interest in Franchisee; foreclosure upon or attachment or seizure of the Store or any of its Operating Assets or any interest in Franchisee; or Franchisee's transfer, surrender or loss of the Store's possession, control or management.

12.3 Conditions for Franchisor's Approval of Transfer. If Franchisee is in full compliance with this Agreement, then, subject to the other provisions of this Article 12, Franchisor will not unreasonably withhold its approval of a transfer that meets all the requirements in this Section. Franchisor will not unreasonably withhold its approval of the transfer of a non-controlling ownership interest in Franchisee (determined as of the date on which the proposed transfer will occur), or the transfer of a controlling or non-controlling ownership interest in one of Franchisee's direct or indirect owners (if such owner is a business entity) that results in the indirect transfer of a non-controlling ownership interest in Franchisee (determined as of the date on which the proposed transfer will occur), if:

(a) the proposed transferee and its direct and indirect owners are of good moral character, have no interest in and do not perform services for a Competitive Business (as defined in Article 15), and otherwise meet Franchisor's then applicable standards for CD Store franchisees;

(b) Franchisee pays a non-refundable transfer fee of One Thousand Dollars (\$1,000) to partially cover Franchisor's costs relating to the proposed transfer; and

(c) all new owners of any direct or indirect ownership interest in Franchisee sign Franchisor's then current form of personal guarantee pursuant to which they agree to be personally bound by, and personally liable for the breach of, all of Franchisee's obligations under this Agreement.

If the proposed transfer is of this Agreement or a direct or indirect controlling interest in Franchisee, or is one of a series of transfers (regardless of the period of time over which these transfers take place) which in the aggregate transfer this Agreement or a direct or indirect controlling interest in Franchisee, then Franchisor will not unreasonably withhold its approval of the transfer if all of the following conditions are met before or concurrently with the effective date of the transfer:

12.3.1 All of Franchisee's (and its owners') accrued monetary obligations and all other outstanding obligations to Franchisor, its affiliates, vendors, and Franchisee's landlord, suppliers and other creditors and taxes, shall have been satisfied;

12.3.2 Franchisee (and each of its owners) is not in default with respect to any provision of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates;

12.3.3 Franchisee and the transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims which it may have against Franchisor, its affiliates and their respective owners, officers, employees and agents, including, without limitation, claims arising under federal, state and local laws and regulations;

12.3.4 At Franchisor's option, the transferee (and, if the transferee is a business entity, all owners of a beneficial interest in the transferee) shall either (i) enter into a written assignment, in a form satisfactory to Franchisor (including the execution of personal guarantees), assuming and agreeing to fulfill all of Franchisee's obligations under this Agreement and all related agreements, or (ii) execute, for a term ending on the expiration of the Term, the form of franchise agreement and any ancillary documents then being offered to new CD Store franchisees (including the execution of personal guarantees); provided, however, that except as provided below, the transferee shall not be required to pay any initial franchise fee;

12.3.5 The transferee (and, if the transferee is a business entity, all owners of a beneficial interest in the transferee) shall demonstrate to Franchisor's satisfaction that it (and they) meet Franchisor's educational, managerial and business standards and do not operate or have any direct or indirect interest in any Competitive Business; possess a good moral character (if an individual or if an entity this shall apply to the principal(s) thereof), business reputation, and credit rating; have the aptitude, ability, and requisite financial resources and capital to operate the Store, as may be evidenced by prior related

business experience or otherwise; and that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee;

12.3.6 The transferee, at its expense, shall within the time specified by Franchisor, refurbish, remodel or otherwise change the Store's premises and Operating Assets to conform to Franchisor's then current standards and specifications for new CD Stores;

12.3.7 The transferor shall remain liable for all of the obligations to Franchisor and its affiliates under this Agreement and any other agreement between Franchisee and Franchisor (or its affiliate) relating to the Store, including any Sublease, whether arising before or after the transfer, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

12.3.8 The transferee (and its owners) agree to comply with all applicable post-termination obligations under this Agreement, including, without limitation, Section 15.3;

12.3.9 At the transferee's expense, the transferee and those of its employees selected by Franchisor shall successfully complete Franchisor's then current initial training program, including, without limitation, payment of the then current nonrefundable training fee charged by Franchisor;

12.3.10 The transferor shall pay a transfer fee equal to Three Thousand Five Hundred Dollars (\$3,500) if the transferee (or its owners if the transferee is an entity) is an existing CD Store franchisee or first learned about the CD Store franchise opportunity from Franchisee, otherwise Seven Thousand Five Hundred Dollars (\$7,500). The transferor shall pay to Franchisor a non-refundable initial payment of One Thousand Dollars (\$1,000) at the time the transfer request is submitted to Franchisor, with the balance of the transfer fee due to Franchisor upon the closing of the transfer; provided, however, that no transfer fee will be required in connection with a transfer from a sole proprietorship or a partnership to a corporation in which the former proprietor or partners own all of the outstanding stock, or a transfer pursuant to Section 12.5; and

12.3.11 The transferor shall provide written evidence that the transferee has the right to remain at the Site for the duration of the Term, and any financing (secured or unsecured) obtained by the transferee in connection with the transfer shall be subordinate to any current or future obligations to Franchisor or its affiliate.

12.4 **Execution of Covenants by Transferee.** Franchisor shall have the right to require as a condition to its consent to any transfer pursuant to Section 12.3, that the assignee (including, in the event that the assignee is a business entity, its officers, directors and owners) execute the covenants concerning confidentiality, as set forth in Section 8.5, and non-competition, as set forth in Section 15.7.

12.5 **Death or Mental Incapacity of Franchisee.** Upon the death or mental incapacity of Franchisee (if an individual) or of any person with an interest in Franchisee, the executor or administrator of the estate of such person, or the personal representative of such person, shall transfer within six (6) months after such death or mental incapacity, such person's interest in the Store and this Agreement, or ownership interest in Franchisee, to a third party approved by Franchisor. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer, except that the transfer fee shall be waived.

12.6 **Approval of Sale Does Not Constitute Waiver of Rights.** Franchisor's consent to a transfer which is the subject of this Article 12 is not a representation of the fairness of the terms of any contract with the transferee or a guarantee of the Store's or transferee's prospects of success, and such consent shall not constitute a waiver of any claims that Franchisor might have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms hereof by transferee.

12.7 **Franchisee Sale of Securities.** The offer and sale of securities (including, without limitation, common or preferred stock, bonds, debentures or general or limited partnership interests) in Franchisee is subject to all of the conditions to transfer set out in this Article 12. Franchisee shall submit to Franchisor for its review all materials required for such offering by federal or state law, or any materials to be used in any exempt offering. No such materials shall be submitted to a government agency or used unless and until Franchisor furnishes written approval. No Franchisee offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating as an underwriter, issuer, or offeror of securities of either Franchisee or Franchisor, or that Franchisor has approved the offering prospectus or any other aspect of the offering. Any review by Franchisor of the offering materials or the information included therein shall be conducted solely for Franchisor's benefit to determine their conformance with Franchisor's internal policies, and not to benefit or protect any other person. No investor should interpret such review by Franchisor, nor shall Franchisee or anyone acting on Franchisee's behalf suggest, that Franchisor's review constitutes an approval, endorsement, acceptance, or adoption of any representation, warranty, covenant or projection contained in the materials reviewed; and the offering documents shall include legends and statements, in the form and manner specified by Franchisor, disclaiming Franchisor's liability for, or involvement in, the transaction described in the offering documents. Should Franchisor, in its sole judgment, object to any reference to it or its business in such offering literature or prospectus, such literature or prospectus shall not be used unless and until Franchisor's objections are withdrawn. Franchisee and other participants in the offering must fully indemnify Franchisor in connection with the offering in accordance with Section 18.4. For each proposed offering, in addition to the payment pursuant to Section 12.3.9, Franchisee shall pay to Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000) at the time that Franchisee submits materials for review by Franchisor. Franchisee shall give Franchisor written notice at least forty-five (45) business days prior to the date of commencement of any offering or other transaction covered by this Section 12.7.

12.8 **Transfer by Franchisee in Bankruptcy.** If Franchisee becomes insolvent, makes a general assignment for the benefit of creditors, is adjudicated as bankrupt or experiences any other event described in Section 13.1 and for any reason this Agreement is not terminated

pursuant to Section 13.1 and this Agreement is assumed or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of this Agreement is contemplated pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth (a) the name and address of the proposed assignee and (b) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, at least ten (10) days prior to the date that the application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Franchisor itself, upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement.

12.9 Right of First Refusal. If Franchisee or any of its direct or indirect owners shall at any time determine to sell an interest in this Agreement, the Store, some or all of the Operating Assets (other than in the ordinary course of business) or a direct or indirect controlling interest in Franchisee (whether in one or a series of transfers, regardless of the period of time over which these transfers take place), Franchisee or its direct or indirect owner(s) shall obtain a bona fide, arm's-length, executed purchase agreement (and any ancillary agreements) in complete and definitive form (subject to Franchisor's consent and waiver of its right of first refusal as described herein), and an earnest money deposit (in the amount of two percent (2%) or more of the purchase price) from a qualified, responsible, bona fide and fully disclosed purchaser. A true and complete copy of such purchase agreement and any proposed ancillary agreements shall immediately be submitted to Franchisor by Franchisee, such owner(s) or both. The purchase agreement (1) must apply only to an interest which is permitted to be transferred under this Agreement, (2) may not include the purchase of any other property or rights of Franchisee (or such owner(s)), and (3) must not provide for any additional payments to be made, or any increase in the amounts payable, in the event Franchisor exercises its right of first refusal hereunder. The price and terms of purchase offered to Franchisee (or such owner(s)) in the purchase agreement for the aforementioned interests shall reflect the bona fide price offered therefor and shall not reflect any value for any other property or rights.

Franchisor shall have the right, exercisable by written notice delivered to Franchisee or such owner(s) within thirty (30) days from the date of receipt by Franchisor of an exact copy of such purchase agreement, together with payment of any applicable transfer fee and a completed and executed application for Franchisor's consent to transfer such interest, to purchase such interest for the price and on the terms and conditions contained in such purchase agreement, provided that: (i) Franchisor may substitute cash, a cash equivalent, or marketable securities of equivalent value for any form of payment proposed in such purchase agreement; (ii) Franchisor's credit shall be deemed equal to the credit of any proposed purchaser; and (iii) Franchisor shall have not less than ninety (90) days to prepare for closing, subject to extension at Franchisor's option to enable Franchisor, Franchisee or any other person to obtain any necessary consent of a third party, including obtaining any necessary permits and licenses. Regardless of whether

included in the purchase agreement, Franchisor shall be entitled to all customary representations, warranties and indemnities given by the seller of a business, including, without limitation, indemnities for all actions, events and conditions that existed or occurred prior to the closing in connection with the Store, Franchisee's business or the assets or ownership interests being purchased and representations and warranties as to: (1) ownership, condition and title to the ownership interests and/or assets being purchased; (2) absence of liens and encumbrances relating to such ownership interests and/or assets; (3) validity of contracts; and (4) liabilities, contingent or otherwise, of any legal entity whose ownership interests or assets are purchased. At the closing, the seller shall provide to the purchaser good, valid, marketable, and indefeasible title (or equivalent rights) to all tangible and intangible property transferred, free and clear of any mortgage, claim, lien, or encumbrance, with all sales and other transfer taxes paid by Franchisee.

If Franchisor does not exercise its right of first refusal, Franchisee or such owner(s) may complete the sale to such purchaser pursuant to and on the exact terms of such purchase agreement, subject to Franchisor's approval of the transfer, as provided for in this Agreement. However, Franchisee or its owner(s) and the purchaser do not sign and deliver a binding purchase agreement within thirty (30) days, or if the sale to such purchaser is not completed within ninety (90) days, after Franchisor's approval of the transfer, or if there is a change in the terms of the sale (of which Franchisee shall promptly notify Franchisor), Franchisor shall have an additional right of first refusal for thirty (30) days as set forth herein on the modified or initial terms and conditions of sale, at Franchisor's option.

13. **DEFAULT AND TERMINATION**

13.1 **Termination Upon Occurrence of Bankruptcy or Insolvency.** Franchisee shall be deemed to be in default hereunder, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee or its direct or indirect owner shall become insolvent or makes a general assignment for the benefit of creditors; or, if a petition in bankruptcy is filed by Franchisee or its direct or indirect owner or such a petition is filed against and not opposed by Franchisee or such owner, if Franchisee is adjudicated as bankrupt or insolvent; or, if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or its direct or indirect owner or other custodian for Franchisee's or such owner's business or assets is filed and consented to by Franchisee or such owner; or, if a receiver or other custodian (permanent or temporary) of Franchisee's or its direct or indirect owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or, if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee or its direct or indirect owner; or, if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a superseding bond is filed); or, if Franchisee is dissolved; or, if execution is levied against Franchisee's or its direct or indirect owner's business or property; or, if the real or personal property of the Store shall be sold after levy thereupon by any sheriff, marshal or constable.

13.2 **Termination with Notice and Without Right to Cure.** Upon the occurrence of any of the following events, Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all of Franchisee's rights granted hereunder, without

affording Franchisee any opportunity to cure the default, effective immediately upon Franchisor's delivery of written notice to Franchisee:

13.2.1 If Franchisee fails to execute a lease or sublease for the Store premises, or otherwise acquire the right to do business at the Site, in accordance with Section 1.2 within ninety (90) days after the date of this Agreement; or if Franchisee fails to open and begin operating the Store on or before the date specified in Section 3.5;

13.2.2 If Franchisee at any time ceases to operate or abandons the Store for a period of three (3) consecutive days, or otherwise forfeits the right to do or transact business in the jurisdiction where the Store is located; provided, however, that if through no fault of Franchisee, the premises are damaged or destroyed, then Franchisee shall have thirty (30) days within which to apply to relocate or reconstruct the premises within the Protected Territory at a site which Franchisor accepts, which acceptance shall not be unreasonably withheld. It shall be reasonable for Franchisor to withhold acceptance of any site or relocation if the Store will not be able to reopen within ninety (90) days of the closing of the previous location;

13.2.3 If Franchisee, or any officer, director, or direct or indirect owner of Franchisee, is convicted of or pleads no contest to (a) a felony or a crime involving moral turpitude, or (b) any other crime or offense, or commits any other act, that Franchisor believes is reasonably likely to have an adverse effect on the Proprietary Marks, the goodwill associated therewith or Franchisor's interest therein;

13.2.4 If Franchisee or any direct or indirect owner of Franchisee purports to transfer any rights or obligations hereunder, or any interest in Franchisee (or its direct or indirect owner) or the assets of the Store, to any third party without Franchisor's prior written consent, contrary to the terms of Article 12;

13.2.5 If Franchisee fails to comply with the covenants in Section 15.2 or fails to deliver to Franchisor executed covenants required under Section 8.5 or 15.7;

13.2.6 If, contrary to the terms of Article 8, Franchisee or any principal of Franchisee discloses or divulges the contents of the Manual or other confidential information provided to Franchisee by Franchisor;

13.2.7 If an approved transfer is not effected following Franchisee's (or its direct or indirect owner's) death or mental incapacity as required by Section 12.5;

13.2.8 If Franchisee knowingly maintains false books or records, or knowingly submits any false reports to Franchisor;

13.2.9 If the Lease expires or is terminated for any reason, unless in connection with a change in the Site in accordance with this Agreement;

13.2.10 If Franchisee loses the right to possess the equipment or any other material portion of the Store's assets for any period of time;

13.2.11 If Franchisee defaults in the payment or performance of any obligations in connection with any financing provided for the Store's acquisition and/or operation, whether provided by Franchisor, its affiliate or a third party lender;

13.2.12 If Franchisee (or its direct or indirect owner) has made or makes any material misrepresentation in connection with Franchisee's application to Franchisor for the rights granted herein or operation of the Store;

13.2.13 If Franchisee understates any payment to Franchisor by five percent (5%) or more, or understates any payment to Franchisor in any amount twice in any one (1)-year period;

13.2.14 If Franchisee fails to obtain or maintain required insurance coverage;

13.2.15 If Franchisee or any of Franchisee's specified personnel fails to successfully complete the Initial Training;

13.2.16 If Franchisee refuses to permit Franchisor or its agents or representatives to inspect Franchisee's Store, books, records, and other documents pursuant to Franchisor's right to do so under this Agreement;

13.2.17 If any other agreement between Franchisor or any of its affiliates, on the one hand, and Franchisee or an affiliate of Franchisee, on the other hand, regardless of whether such agreement relates to the Store (but excluding any franchise agreement that is terminated by mutual agreement of Franchisor and Franchisee (or its affiliate) under the circumstances described in Section 13.6), is terminated before its term expires; and

13.2.18 If Franchisee fails on three (3) or more separate occasions within any twelve (12) consecutive month period to pay when due amounts owed to Franchisor or otherwise comply with any obligation under this Agreement, whether or not such failures are corrected after delivery of written notice to Franchisee and whether such failures involve the same or different obligations under this Agreement.

13.3 **Termination with Notice and Opportunity to Cure.** In addition to Franchisor's rights and remedies under Sections 13.1 and 13.2, upon the occurrence of any of the following events, Franchisor may, at its option, terminate this Agreement and all of Franchisee's rights granted hereunder, without affording Franchisee any additional opportunity to cure the default, effective immediately upon delivery of written notice to Franchisee:

13.3.1 If Franchisee or any of its affiliates fails to make any payment to Franchisor, its affiliates, or any of Franchisee's suppliers or other trade creditors when due, whether or not such payment relates to the Store, and such failure is not corrected within ten (10) days after delivery of written notice to Franchisee (unless, with respect to any amount due to any party other than Franchisor or its affiliate, Franchisee notifies Franchisor of the existence of a bona fide dispute concerning the payment and takes immediate action to resolve such dispute within such ten (10)-day period);

13.3.2 If Franchisee violates any health, safety, environmental or other law, ordinance or regulation, or operates the Store in an unsafe manner, and does not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours, after Franchisee learns of the violation;

13.3.3 If Franchisee receives financing from Franchisor or its affiliate and Franchisee fails to establish, continuously maintain, and/or deposit Gross Revenues each business day into, a Designated Account in accordance with Section 4.2 and does not correct the failure within two (2) business days after Franchisor's delivery of written notice to Franchisee; and

13.3.4 If Franchisee fails to comply with any other provision of this Agreement (including, without limitation, any of the Operating Plans) and does not correct the failure within thirty (30) days after Franchisor's delivery of written notice to Franchisee.

13.4 **Extension of Cure Period by Operation of Law.** Notwithstanding the termination provisions set forth above, in the event that any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement and the parties hereto limits Franchisor's rights of termination hereunder or shall require longer notice or cure periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice or cure periods or restrictions upon termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination thereof.

13.5 **Assumption of Management.** Franchisor or its designee has the right (but not the obligation), under the circumstances described below, to enter the Site and assume the Store's management for any period of time that Franchisor deems appropriate. All funds from the Store's operation during the period of Franchisor's (or its designee's) management shall be kept in a separate account and all Store expenses shall be charged to such account. In addition to other fees and payments owed hereunder, Franchisor may charge Franchisee a reasonable management fee specified by Franchisor, not to exceed eight percent (8%) of the Store's Gross Revenues, plus any out-of-pocket expenses incurred in connection with the Store's management (including, without limitation, payroll, benefits and other expenses associated with any managers). Franchisor or its designee shall have a duty only to use reasonable efforts upon assuming the Store's management and will not be liable to Franchisee for any debts, losses or obligations that the Store incurs, or to any creditors for any supplies or other products or services purchased for the Store, in connection with such management. Franchisee shall not interfere in the Store's management or operations while Franchisor or its designee is managing the Store pursuant to this Section 13.5.

Franchisor or its designee may assume the Store's management under any of the following circumstances: (1) if Franchisee abandons or fails actively to operate the Store for any period; (2) if Franchisee fails to comply with any provision of this Agreement (including, without limitation, any Operating Plan) and does not correct the failure within the time period Franchisor specifies in its notice to Franchisee (which might be less than the cure period

specified for such failure in this Article 13); or (3) if this Agreement expires or is terminated and Franchisor is deciding whether to assume the Lease under Section 14.4 below. Franchisor's exercise of its rights under this Section will not affect its right to terminate this Agreement under this Article 13.

13.6 **Closing Unprofitable Store**. If the Store has been open and operating in accordance with this Agreement for twelve (12) months or more, and:

(a) despite Franchisee's (and its owners') best efforts, including, without limitation, seeking additional equity and/or debt financing for the Store, Franchisee is unable to operate the Store at a reasonable profit and Franchisee reasonably anticipates that it will be unable to operate the Store at a reasonable profit for at least the next twelve (12) months;

(b) Franchisee is then, and throughout this Agreement's term has been, in full compliance with this Agreement and all other agreements with Franchisor or its affiliate relating to the operation of the Store, including, without limitation, with respect to the payment of royalty fees and other amounts due to Franchisor or its affiliate; and

(c) neither Franchisor nor any of its affiliates would have any ongoing liability or obligation relating directly or indirectly to the Store if it were to close under this Section 13.6, including, without limitation, any liability or obligation relating to any lease, sublease or financing for the Store,

then Franchisee may close the Store in accordance with this Section 13.6. Franchisee shall provide written notice to Franchisor at least six (6) months, but not more than nine (9) months, before Franchisee closes the Store pursuant to this Section 13.6 (the "**Closing Notice**"). Franchisor shall have the option, exercisable at any time within ninety (90) days after Franchisee's delivery of such notice, to purchase from Franchisee any or all of the Operating Assets, supplies, inventory and other assets used in or associated with the operation of the Store (collectively, "**Store Assets**"). If Franchisor exercises its purchase option under this Section 13.6, the parties shall comply with the provisions of Section 14.9 with respect to that option, except that the purchase price for those Store Assets shall be equal to Franchisor's (or its assignee's) assumption of all secured debt and lease liability accruing on and after the closing, with no further payment or obligation to Franchisee.

If Franchisor (or its assignee) does not acquire the Store Assets pursuant to this Section 13.6, then Franchisee may close the Store effective on the date specified in the Closing Notice. If Franchisee complies with the Closing Obligations (defined below), the Franchisor agrees to waive any claim for lost future royalty fees and Marketing Fund contributions that would otherwise have been payable pursuant to Section 14.6 of this Agreement with respect to what would have been the remainder of the term of this Agreement had it not been terminated. In this Agreement, the following are the "**Closing Obligations**":

13.6.2 Franchisee remains in full compliance with this Agreement and all other agreements with Franchisor or its affiliates relating to the operation of the Store until the date upon which the Store closes;

13.6.3 on or before the date upon which the Store closes, Franchisee and its owners shall sign and deliver Franchisor's then current form of termination agreement and a general release, in a form satisfactory to Franchisor, of any and all claims which any of them may have against Franchisor, its affiliates and their respective owners, officers, employees and agents;

13.6.4 Franchisee and its owners do not sell or otherwise transfer any Store Assets to any Competitive Business which is located or operating (a) at the Site, (b) within a ten (10) mile radius of the Site, or (c) within a five (5) mile radius of any CD Store then operating or under construction; and

13.6.5 Franchisee prepays rent at the Site and takes all other steps to ensure that no Competitive Business is operated at the Site for a continuous period of at least three (3) months following the date upon which the Store is closed and completely de-identified pursuant to Sections 14.2 and 14.5 below.

14. **OBLIGATIONS UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall immediately terminate. In addition to any other remedies available to Franchisor and its affiliates under this Agreement, any other agreement and applicable law, upon expiration or termination of this Agreement:

14.1 **Cessation of Store Operations.** Franchisee shall immediately cease to operate the Store as a CD Store, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor (except in connection with other CD Stores that Franchisee operates).

14.2 **Cessation of Use of Confidential Information and Proprietary Marks.** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, (a) any products or services which incorporate trade secrets or any confidential methods, procedures or techniques associated with Franchisor; and (b) the Proprietary Marks, any trademark, service mark, trade name or symbol that is confusingly similar to any Proprietary Mark, and all other proprietary marks and distinctive forms, slogans, signs, symbols, and devices associated with Franchisor and/or CD Stores.

14.3 **Assumed Name Registration and Telephone Numbers.** Franchisee shall immediately take such action as may be necessary to cancel any assumed name or equivalent registration which contains any of the Proprietary Marks. Franchisee also shall immediately notify the telephone company and all telephone directory publishers of the termination or expiration of this Agreement and Franchisee's right to use any telephone, telecopy and other numbers and directory listings associated with any Proprietary Mark or the Store, authorize the

transfer of these numbers and listings to Franchisor or its designee, and/or instruct the telephone company to forward all calls made to such numbers to those numbers that Franchisor specifies. Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with these obligations within thirty (30) days after termination or expiration hereof. If Franchisee fails or refuses to do so, Franchisor may, in Franchisee's name, on Franchisee's behalf, and at Franchisee's expense, execute any and all necessary documents, and Franchisor is hereby irrevocably appointed by Franchisee as Franchisee's attorney-in-fact to effectuate the foregoing obligation.

14.4 **Assignment of Lease.** Franchisee shall, at Franchisor's request delivered at any time within thirty (30) days after this Agreement terminates or expires, immediately assign to Franchisor, effective on the date specified by Franchisor, any interest which Franchisee has in the Lease and thereafter vacate the Site, rendering all necessary assistance to Franchisor to enable it to take prompt possession thereof.

14.5 **Modification of Store to Avoid Public Confusion.** If Franchisor does not assume the Lease pursuant to Section 14.4, at Franchisee's expense, Franchisee shall immediately make such modifications and alterations, including (without limitation) removal of all distinctive physical and structural features associated with Franchisor's proprietary trade dress or otherwise relating to CD Stores, as may be necessary to distinguish the Site and the Store so clearly from its former appearance and from other CD Stores as to prevent any possibility that the public will associate the Site with CD Stores and to prevent confusion created by such association. At a minimum, such changes and modifications to the Store will include, without limitation: (a) repainting, and, where applicable, recovering both the exterior and interior of the Store with different colors, including removing distinctive colors and designs from the walls; (b) removing all trade dress, fixtures and other decor items and replacing them with other items not of the general type and appearance customarily used in a CD Store; and (c) removing all exterior and interior signage bearing any Proprietary Mark. If Franchisee fails immediately to initiate such modifications, alterations and/or removals, or to complete them within such time as Franchisor deems appropriate, Franchisor or its designated agents may enter the Store and adjacent areas, without prior notice, to make such modifications, alterations and/or removals, at Franchisee's expense, without liability for trespass or damages. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to Franchisor and consents to entry, at Franchisee's expense, of an ex-parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order.

14.6 **Franchisee Payment of Debts.** Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include (without limitation) all damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the Operating Assets, supplies and other personal property owned by Franchisee at the time of default.

14.7 Payment of Franchisor's Cost in Securing Franchisee's Compliance with Post-Termination Obligations. Franchisee shall pay to Franchisor all damages, costs and expenses, including (without limitation) reasonable attorneys' fees and costs, incurred by Franchisor subsequent to the termination or expiration hereof in obtaining injunctive or other relief for the enforcement of any provisions of this Article 14.

14.8 Franchisee Return of Manual and Other Materials. Franchisee shall immediately return the Manual and all other documents which contain confidential information relating to the operation of the Store, and furnish Franchisor with the name and address of all past and current Store suppliers together with the amount(s) due, if any. Franchisee also shall deliver to Franchisor, at Franchisor's request and Franchisee's expense, all signs, unused products and advertising materials which contain trade secrets or any Proprietary Mark.

14.9 Franchisor Right to Purchase Store Assets. Upon termination of this Agreement for any reason or expiration of this Agreement, Franchisor shall have the option, to be exercised by written notice delivered within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the Store Assets, at the fair market value for use at a location other than the Site. However, the purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Proprietary Marks, Franchisor's brand image or other intellectual property or participation in the network of CD Stores. Franchisor has the unrestricted right to assign this option to a third party (including, without limitation, an affiliate of Franchisor), who will then have all the rights described in this Section. If the parties cannot agree on the price of any such items within fifteen (15) days after notice to Franchisee, then the price shall be determined by an appraisal. Franchisor and Franchisee shall each select one independent appraiser, and those two (2) appraisers shall select a third appraiser. Each of Franchisor and Franchisee shall bear the costs of its chosen appraiser and share equally the costs of the third appraiser. The appraisers shall calculate the purchase price of the applicable items in accordance with this Section 14.9 within thirty (30) days after being engaged. The price shall be the average of the three (3) independent appraisals.

If Franchisor elects to exercise any option to purchase herein provided, closing shall take place within fifteen (15) days after the purchase price shall have been established. Franchisor shall be entitled to all customary indemnities, warranties and representations given by the seller of a business in connection with its asset purchase, including, without limitation, indemnities for all actions, events and conditions that existed or occurred prior to the closing of the purchase in connection with the Store or Franchisee's business and representations and warranties as to: (1) ownership, condition and title to assets; (2) absence of liens and encumbrances relating to the assets; (3) validity of contracts; and (4) liabilities, contingent or otherwise, affecting the assets. If Franchisee cannot deliver clear title to all of the purchased assets as aforesaid, or if there are other unresolved issues, the closing shall be accomplished through an escrow. Franchisor shall have the right to set off all amounts due from Franchisee, or due from Franchisee to any creditor, and the cost of the appraisal, if any, against the payment price of such items.

14.10 Acknowledgement Concerning Store Management. Franchisee acknowledges that, at their sole option, Franchisor and/or its affiliates may enter into or have entered into agreements with one or more lenders providing financing to Franchisee under which Franchisor

or its affiliate would manage and operate the Store on behalf of the lender following the lender's exercise of its remedies under its financing arrangement with Franchisee and Franchisor's termination of this Agreement. Franchisee hereby acknowledges Franchisor's and its affiliates' rights to do so and waives any claims it might have against them relating to their use of the Store's assets or management or operation of the Store under such circumstances.

15. **COVENANTS**

15.1 **Best Efforts and Store Management.** Only Franchisee is authorized to operate the Store, and Franchisee shall at all times faithfully, honestly and diligently perform its obligations and fully exploit its rights under this Agreement. Franchisee (or, if Franchisee is a business entity, the Designated Principal or the on-premises manager) must personally devote all of his or her business time and efforts to the on-premises management of the Store. The Store must at all times be under the on-premises supervision of a manager who has completed Franchisor's then current training program or other training-related requirements to Franchisor's satisfaction.

15.2 **Non-Competition During Term.** Franchisee acknowledges that it shall receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the Operating Plans. Therefore, Franchisee covenants that, during the Term, neither Franchisee nor any of its owners, nor any member of the immediate family of Franchisee or any of its owners, shall, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person or legal entity:

15.2.1 Divert or attempt to divert any business or customer of the Store to any Competitive Business (defined below) by inducement or otherwise, or do or perform any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the Operating Plans; or

15.2.2 Own any equity interest in, maintain, advise, operate, engage in, be employed by, make loans to, have any other direct or indirect interest in, or otherwise maintain any direct or indirect relationship or association with, a business which offers dry cleaning, finished laundry services and/or other cleaning services for garments or household goods, alteration services, garment or household good repair or restoration services, or any services ancillary thereto (including, without limitation, pickup or delivery of items) (each a "**Competitive Business**"), wherever located, and including, without limitation, providing any services of a Competitive Business to any other CD Store.

15.3 **Non-Competition After Term.** For two (2) years commencing upon the effective date of the expiration or termination of this Agreement (regardless of the cause for termination), neither Franchisee nor any of its owners, nor any member of the immediate family of Franchisee or any of its owners, shall, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own any equity interest in, maintain, advise, operate, engage in, be employed by, make loans to, have any other direct or indirect interest in, or

otherwise maintain any direct or indirect relationship or association with, a Competitive Business which is located or operating (a) at the Site, (b) within a ten (10)-mile radius of the Site, or (c) within a five (5)-mile radius of any CD Store then operating or under construction. The provisions of this Section shall also apply to any transferee (and any member of the immediate family of any transferee) following a transfer by Franchisee or its direct or indirect owner, or Franchisor's exercise of its right of first refusal, under Article 12. The time period during which these restrictions apply will be automatically extended, with respect to all persons covered by this Section 15.3, for each day during which any person covered by this Section 15.3 is not complying fully with this Section 15.3.

15.4 **Breach of Covenants Cause Irreparable Injury.** Franchisee acknowledges that any violation of the terms of this Article 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining any injunctive or other equitable or legal relief with respect to such conduct or action.

15.5 **Franchisor Right to Reduce Scope of Covenants.** Franchisee agrees and acknowledges that Franchisor shall have the right, at its sole option, to reduce the scope of any covenant or any portion thereof set forth in Section 15.2 or 15.3, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof and Franchisee agrees that it shall comply forthwith with any covenant as so modified.

15.6 **Enforceability of Covenants Not Affected by Franchisee Claims.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor or any of its affiliates, whether or not arising hereunder, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 15.

15.7 **Covenants from Individuals.** At Franchisor's request, Franchisee shall obtain execution of restrictive covenants in the form that Franchisor reasonably specifies (including covenants applicable upon the termination of a person's relationship with Franchisee) from each direct or indirect owner of Franchisee. Franchisee shall furnish copies of such covenants to Franchisor upon request. Every covenant required by this Section 15.7 shall be in a form approved by Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

16. **FRANCHISEE AS AN ENTITY**

16.1 **Entity Franchisee.** Except as otherwise approved in writing by Franchisor, if Franchisee is an entity, it shall: (i) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Store and other CD Stores; (ii) furnish Franchisor with its governing documents as well as such other documents as Franchisor may reasonably request and any amendments thereto; (iii) maintain stop transfer instructions on its records against the transfer of any equity interest and shall only issue equity interest upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any voting interests or securities convertible into voting securities, except in accordance with Article 12; and

(v) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Franchisor upon request.

16.2 **Personal Guarantees.** Each present and future holder of any direct or indirect legal or beneficial ownership interest in Franchisee, and his or her spouse, shall jointly and severally guarantee Franchisee's performance of, and agree to be personally bound by and liable for the breach of, each and every provision of this Agreement, by executing a Guaranty in the form annexed hereto as Exhibit D.

17. **TAXES**

17.1 **Payment of Taxes.** Franchisor shall have no liability for any taxes levied or assessed in connection with the Store's operation or the business Franchisee conducts under this Agreement, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, or any similar taxes or levies, except for Franchisor's income taxes.

17.2 **Challenging Tax Assessments.** In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law.

18. **INDEPENDENT CONTRACTOR; INDEMNIFICATION**

18.1 **No Fiduciary Relationship.** It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Franchisee shall be an independent contractor; and, that nothing herein is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, enterprise or servant of the other for any purpose whatsoever.

18.2 **Public Notice of Independent Status.** Franchisee shall conspicuously identify itself and the Store in all dealings with its customers, contractors, suppliers, public officials and others as an independent franchisee of Franchisor and shall place such notice of independent ownership in its Store and on all forms, business cards, stationery, advertising, signs and other materials, and in such fashion, as Franchisor may specify from time to time in the Manual or otherwise in writing. Franchisee also agrees to communicate clearly with Store employees in employment agreements, manuals, handbooks and other materials that Franchisee, and not Franchisor or its affiliates, is the employer of all Store employees.

18.3 **Independent Contractors.** Franchisee acknowledges and agrees that it is not authorized to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Store or for any claim or judgment arising therefrom against Franchisee or Franchisor. Franchisor has no

relationship with Franchisee's employees and Franchisee has no relationship with Franchisor's employees.

18.4 **Indemnification and Defense.**

18.4.1 Franchisee agrees to indemnify and hold harmless Franchisor, its affiliates, and its and their respective owners, directors, officers, employees, agents, representatives, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (a) the operation of the Store, including, but not limited to, claims arising as a result of the maintenance and operation of vehicles, the Store's premises or the equipment located at the Store's premises; (b) the business that Franchisee conducts under this Agreement; (c) Franchisee's breach of this Agreement or any related agreement; (d) claims alleging either intentional or negligent conduct, acts, or omissions by Franchisee or any contractor of Franchisee (or any of Franchisee's or its contractor's agents, employees or representatives), or Franchisor or its affiliates (or any of Franchisor's or their agents, employees or representatives) relating to the operation of the Store or the Operating Plans, subject to Section 18.4.4, or (e) Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including, without limitation, those concerning the Store's construction, design or operation, and including (but not limited to) any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to its employees. "**Losses**" means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an indemnified party incurs, including accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

18.4.2 Franchisee agrees to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 18.4.1(a) through (e) above (collectively, "**Proceedings**"), including those alleging the Indemnified Party's intentional or negligent conduct, acts or omissions, subject to Section 18.4.4.

18.4.3 Each Indemnified Party may at Franchisee's expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to Section 18.4.2 (instead of having Franchisee defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses Franchisee is solely responsible. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee, and Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from

Franchisee under this Section 18.4. Franchisee's obligations under this Section 18.4 will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

18.4.4 Franchisor agrees to indemnify and hold harmless Franchisee, its affiliates, and its and their respective owners, officers, directors, agents, employees, representatives, successors, and assigns against, and to reimburse any one or more of them for, any and all Losses (including defense costs and other Losses incurred in defending any Proceeding described in Subsection 18.4.1(a) through (e), if applicable) directly or indirectly arising out of, resulting from, or in connection with a final decision by a court of competent jurisdiction not subject to further appeal that Franchisor, its affiliate, or any of their respective employees directly engaged in willful misconduct or gross negligence or intentionally caused the property damage or bodily injury that is the subject of the claim, so long as the claim is not asserted on the basis of theories of vicarious liability (including, without limitation, agency, apparent agency, or employment) or Franchisor's failure to compel Franchisee to comply with this Agreement, which are claims which are not subject to indemnification under this Section 18.4.4.

19. **WAIVERS; REMEDIES; ATYPICAL MODIFICATIONS**

19.1 **No Waiver**. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, acceptance, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee, or by any other franchisee, of any of the terms, provisions or covenants hereof shall constitute a waiver by Franchisor of any right to enforce any such right, option, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, covenants or conditions of this Agreement.

19.2 **Remedy for Non-Approval**. In no event shall Franchisee be entitled to make, nor shall Franchisee make, any claim, and Franchisee hereby waives any claim for money damages, nor shall Franchisee claim any money damages by way of setoff, counterclaim or defense, based upon any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent, approval or acceptance as required by this Agreement. Franchisee's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, or for specific performance, or declaratory judgment.

19.3 **Atypical Modifications to System**. Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege (but no obligation), in its sole judgment and as it may deem in the best interests of all concerned in any specific instance, to vary certain standards for any CD Store, based upon the peculiarities of the CD Store's customer

base, location, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of the specific CD Store.

20. **NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed by certified mail, return receipt requested, or dispatched by overnight delivery service, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Cleaners Depot Franchise, LLC
 2205 Enterprise Drive
 Suite 502
 Westchester, Illinois 60154
 Attention: Rafiq Karimi

with a copy to: DLA Piper LLP (US)
 444 West Lake Street
 Suite 900
 Chicago, Illinois 60606
 Attention: Richard J. Morey

Notices to Franchisee: _____

 Attention: _____

with a copy to: _____

Notices shall be deemed to have been received as follows: at the time of delivery if personally delivered, on the next business day following the date on which the notice was given to the overnight delivery service if sent by overnight delivery service, and on the earlier of the actual date of delivery or three (3) days after the date of mailing if sent by certified mail.

21. **ENTIRE AGREEMENT**

The preambles and Exhibits are a part of this Agreement, which, together with any attachments hereto and any ancillary agreement between Franchisee and Franchisor or any affiliate of Franchisor executed contemporaneously herewith or after the date of this Agreement (including, but not limited to, any addenda to this Agreement required by the laws of any state which governs the offering of a franchise to Franchisee and any Franchisee Disclosure Questionnaire or similar document), constitute the entire and complete agreement between

Franchisor and/or its affiliate and Franchisee concerning the subject matter thereof, and supersede any and all prior agreements. There are no other oral or written representations, warranties, understandings or agreements between Franchisor (or its affiliates) and Franchisee relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative. Any policies that Franchisor adopts and implements from time to time to guide it in its decision-making are subject to change, are not part of this Agreement and are not binding on Franchisor.

Franchisee acknowledges that it is entering into this Agreement, and any ancillary agreement executed contemporaneously herewith, as a result of its own independent investigation of the business franchised hereby and not as a result of any representations made by Franchisor, persons associated with Franchisor, or other CD Store franchisees, which are contrary to the terms herein set forth or which are contrary to the terms of any franchise disclosure document or other similar document required or permitted to be given to Franchisee pursuant to applicable law. Except for changes to the Manual and Operating Plans and as otherwise permitted hereunder to be made unilaterally by Franchisor, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

22. **SEVERABILITY AND CONSTRUCTION**

22.1 **Severability and Construction.** Except as expressly provided to the contrary herein (including, without limitation, in Section 23.2), each portion, section, part, term, and/or provision hereof shall be considered severable; and if, for any reason, any portion, section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, Sections, parts, terms, and/or provisions hereof as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, Sections, parts, terms and/or provisions shall be modified to the extent and only to the extent that such provisions are enforceable under applicable law. Although this form of agreement was prepared on behalf of Franchisor, the rules of construction of contract requiring construction against the drafter shall not apply. Except as provided in Sections 18.4 and 23.2, nothing in this Agreement is intended nor deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement. If two or more persons are at any time the owners of the rights under this Agreement or the Store, whether as partners or joint venturers, all of those persons must sign this Agreement and their obligations and liabilities to Franchisor will be joint and several. References to “Franchisee” mean each of those persons.

22.2 **Survival of Modified Covenants.** Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part hereof, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to

which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

22.3 **Survival of Obligations After Expiration of Agreement**. Any provision or covenant of this Agreement by its terms or by reasonable implication are to be performed, in whole or in part, after the expiration or termination of this Agreement shall survive such expiration or termination.

22.4 **Captions**. The Article and Section headings and captions in this Agreement are for convenience only, and shall not affect the construction or interpretation of the terms of this Agreement.

22.5 **Affiliate and Principal Defined**. For purposes of this Agreement, the term “affiliate” shall mean any person or legal entity that directly or indirectly controls, is controlled by, or is under common control with the specified person or legal entity; the term “principal” shall mean a shareholder of a corporation, a general or limited partner of a partnership, and a member of a limited liability company.

23. **APPLICABLE LAW AND DISPUTE RESOLUTION**

23.1 **Governing Law**. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, all controversies, disputes or claims arising from or relating to:

- (a) this Agreement or any other agreement between Franchisee (or its owners) and Franchisor (or any of its affiliates) or any provision of any of such agreements;
- (b) Franchisor’s (or any of its affiliates’) relationship with Franchisee;
- (c) the validity of this Agreement or any other agreement between Franchisee (or its owners) and Franchisor (or any of its affiliates) or any provision of any of such agreements; or
- (d) any Operating Plan

will be governed by the laws of the State of Illinois, without regard to its conflict of laws rules, except that any law regulating the offer or sale of franchises, business opportunities or similar interests, or governing the relationship between a franchisor and a franchisee or any similar relationship, will not apply unless its jurisdictional requirements are met independently without reference to this Subsection.

23.2 **Arbitration**. Except as otherwise set forth in any other written agreement between Franchisee (or any of its owners) and Franchisor (or any of its affiliates), all controversies, disputes or claims between Franchisor (and its affiliates and their respective owners, officers, agents and employees, as applicable) and Franchisee (and its affiliates and their respective owners, officers, directors, agents and employees, as applicable) arising out of or related to:

- (a) this Agreement or any other agreement between Franchisee (or its owners) and Franchisor (or any of its affiliates), or any provision of any of such agreements;
- (b) Franchisor's (or any of its affiliate's) relationship with Franchisee;
- (c) the scope or validity of this Agreement or any other agreement between Franchisee (or its owners) and Franchisor (or any of its affiliates), or any provision of any of such agreements (including the validity and scope of the arbitration obligations under this Subsection, which the parties acknowledge is to be determined by an arbitrator and not a court); or
- (d) any Operating Plan

will be submitted for arbitration to the American Arbitration Association. Except as otherwise provided in this Agreement, such arbitration proceedings shall be heard by one (1) arbitrator in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association. Arbitration proceedings shall be held at a suitable location to be chosen by the arbitrator which is within ten (10) miles of Franchisor's then existing principal business address. The arbitrator shall have no authority to choose a different hearing locale. All matters within the scope of the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.) will be governed by it and not by any state arbitration law.

The arbitrator shall have the right to include in his or her award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, provided that: (1) the arbitrator shall not have authority to declare any Proprietary Mark generic or otherwise invalid; and (2) subject to the exceptions in Section 23.5, Franchisor and Franchisee waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction.

Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under this Agreement or applicable law, whichever expires first. Franchisor and Franchisee further agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisor or Franchisee. Franchisor reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished Franchisor's right to seek the recovery of those costs in accordance with Section 23.7.

Franchisor and Franchisee agree that arbitration shall be conducted on an individual, not a class-wide, basis, that only Franchisor (and its affiliates and their respective owners, officers, agents and employees, as applicable) and Franchisee (and its affiliates and their respective owners, officers, directors, agents and employees, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Franchisor and/or any other natural person, association, corporation, partnership, limited liability company or other entity. Notwithstanding the foregoing or anything to the contrary in this Section or Section 22.1, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 23.2, then all parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding in accordance with this Article 23 (excluding this Section 23.2).

The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Notwithstanding anything to the contrary contained in Section, Franchisor and Franchisee have the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. In that case, Franchisor and Franchisee must contemporaneously submit Franchisor's dispute for arbitration on the merits according to this Section.

23.3 Consent to Jurisdiction. Subject to the arbitration obligations in Section 23.2, Franchisee and its owners agree that all judicial actions brought by Franchisor against Franchisee or its owners, or by Franchisee or its owners against Franchisor or its affiliates or their respective owners, officers, agents, or employees, must be brought exclusively in the state or federal court of general jurisdiction in Chicago, Illinois. Franchisee (and each owner) irrevocably submits to the jurisdiction of such courts and waive any objection he, she or it may have to either jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which Franchisee resides or the Store is located.

23.4 Nonexclusivity of Remedy. No right or remedy conferred upon or reserved to Franchisor hereby is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

23.5 Limitation of Adjudicative Proceedings. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING. EXCEPT FOR FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR AND THE OTHER INDEMNIFIED PARTIES PURSUANT TO

SECTION 18.4 AND CLAIMS FOR UNAUTHORIZED USE OF THE PROPRIETARY MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

23.6 Limitation of Claims. EXCEPT FOR CLAIMS ARISING FROM FRANCHISEE'S NONPAYMENT OR UNDERPAYMENT OF AMOUNTS OWED TO FRANCHISOR OR ITS AFFILIATES, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH FRANCHISEE WILL BE BARRED UNLESS A PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.

23.7 Costs and Attorneys' Fees. If either Franchisor or Franchisee seeks to enforce this Agreement in an arbitration, judicial or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrators' fees and expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses and travel and living expenses) incurred in connection with such arbitration, judicial or other proceeding.

24. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

FRANCHISOR:

**CLEANERS DEPOT FRANCHISE,
LLC**, a Nevada limited liability company

By:
Rafiq Karimi
Manager

FRANCHISEE:

**(IF CORPORATION, LIMITED
LIABILITY COMPANY OR
PARTNERSHIP):**

[Name]

By: _____
Its: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT A
BASIC TERMS

1. The Site is _____.
2. The Protected Territory is a [$\frac{1}{2}$ **OR** **1**] mile radius with the Site at its center. The ROFO Territory is a [**1** **OR** **2**] mile radius with the Site at its center, excluding the Protected Territory. The Protected Territory and ROFO Territory are depicted on the map attached to this Exhibit A. However, if there is an inconsistency between the language in this Exhibit A and the attached map, the language in this Exhibit A shall control.
3. The initial franchise fee is \$_____.
4. The Designated Principal is _____.
5. The subsection below shall apply only if Franchisee is acquiring an existing CD Store from Franchisor's affiliate and only where Franchisor's and Franchisee's initials appear below.

(a) This Franchise Agreement is being signed pursuant to and subject to the Letter of Intent dated _____, 201__ between Franchisor's affiliate and Franchisee (the "**LOI**"). Franchisor may terminate this Agreement if Franchisee does not buy the Store's assets on or before the Projected Closing Date, as set forth in the LOI.

(b) Franchisor shall apply the LOI Deposit (as defined in the LOI) towards the initial franchisee fee payable under Section 4.1 of this Agreement; provided, however, that if Franchisee qualifies as a veteran or for another incentive program that Franchisor offered as of the date of the LOI under which the initial franchisee fee under Section 4.1 of this Agreement (if any) is less than the LOI Deposit, Franchisor shall cause its affiliate to apply the LOI Deposit (as defined in the LOI) towards the purchase price of the Store.

(c) Sections 1.2.2, 3.2, 6.10 and 14.4 of this Agreement shall not apply.

Franchisor

Franchisee

FRANCHISOR:

**CLEANERS DEPOT FRANCHISE,
LLC, a Nevada limited liability company**

By: _____
Rafiq Karimi
Manager

FRANCHISEE:

**(IF CORPORATION, LIMITED
LIABILITY COMPANY OR
PARTNERSHIP):**

[Name]

By: _____
Its: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT B

RIDER TO LEASE AND COLLATERAL ASSIGNMENT

THIS RIDER TO LEASE AND COLLATERAL ASSIGNMENT (the “**Rider**”) is entered into this _____ day of _____, 201_ by and among _____ (as “**Landlord**”), _____ (as “**Tenant**”), and **CLEANERS DEPOT FRANCHISE, LLC**, a Nevada limited liability company (the “**Franchisor**”).

WHEREAS Franchisor and Tenant entered into a Franchise Agreement dated _____ (the “**Franchise Agreement**”) granting Tenant the right to develop and operate a CD Store (the “**Store**”) at the Premises (defined below);

WHEREAS Landlord and Tenant entered into a lease dated _____ (the “**Lease**”) granting Tenant lease rights for the real property commonly known as _____ (the “**Premises**”) under which Tenant is permitted to operate the Store at the Premises;

WHEREAS Landlord and Tenant desire that this Rider modify the Lease in accordance with the following terms and conditions; and

WHEREAS Franchisor and Tenant desire that this Rider, at Franchisor’s election, collaterally assigns, transfers and sets over unto Franchisor all of Tenant’s right, title and interest as tenant in, to and under the Lease.

NOW THEREFORE, in consideration of the foregoing recitals and in further consideration of the mutual terms and conditions set forth below, the parties agree as follows:

1. **Lease Modifications.** The Lease is modified as follows:
 - a. **Purpose.** During the Franchise Agreement term, Landlord shall permit Tenant to use the Premises for the Store’s operation (including the Store’s on-premises dry cleaning plant) and for no other purpose.
 - b. **Lease Term.** The term of the Lease shall be ten (10) years (including the initial term and any option(s) to renew or extend the Lease) commencing on the date the Lease is executed.
 - c. **Signage.** Landlord consents to Tenant’s installation and use of such trademarks, service marks, signs, decor items, color schemes, and related components of CD Stores as Franchisor may prescribe for the Store and which Franchisor may modify from time to time. Such signage shall comply with applicable law and may include exterior and interior signs that are: (a) illuminated and visible from both inside and outside the Premises; and/or (b) affixed to Landlord’s pylon/monument or other signage location. Landlord consents to Franchisor’s right to amend, revise or replace all signage in or on the Premises in accordance with applicable law.

d. **Dry Cleaning Solvent.** Landlord consents to Tenant's use on the Premises of a petroleum based solvent in Tenant's dry cleaning processes and equipment identified as Exxon Mobile DF-2000 7 fluid or any similar substitute therefore. Tenant shall not use on the Premises the cleaning solvent identified as PIRE 6Per-chloroetroxlene. Tenant shall use, and disposal of, all dry cleaning solvent and any other dry cleaning materials in compliance with applicable federal, state, and local law.

e. **Leasehold Improvements.** Landlord consents to Tenant's penetration of the roof of the Premises to accommodate exhaust fans for Tenant's boiler and HVAC system and equipment, including additional penetrations for venting and exhaust of Tenant's equipment and machinery. Tenant shall complete all such work in accordance with Tenant's architectural drawings approved by Landlord.

f. **Assignment or Sublet.** Tenant may not assign the Lease or sublet the Premises without Franchisor's prior written consent, and Landlord will not consent to an assignment or sublet by Tenant without first verifying with Franchisor that Franchisor has given its written consent to Tenant's proposed assignment or sublet.

2. **Collateral Assignment.** Tenant hereby assigns, transfers, and sets over unto Franchisor for collateral purposes only, and, upon Franchisor's election, assigns, transfers and sets over unto Franchisor, all of Tenant's right, title and interest as tenant in, to and under the Lease. This assignment is for collateral purposes only and except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Franchisor takes possession of the Premises and assumes certain obligations of Tenant under the Lease pursuant to the terms of this Section 2. Tenant represents and warrants to Franchisor that Tenant: (a) has full power and authority to so assign the Lease and its interest therein, and (b) has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the Premises.

Upon the occurrence of any of the following:

a. A default by Tenant under the Lease, the Franchise Agreement, or any document or instrument securing or relating to the Franchise Agreement, or

b. The cancellation or termination of the Franchise Agreement by Tenant or Franchisor for any reason other than a default by Franchisor,

Franchisor shall have the right (but no obligation), exercisable upon delivery of written notice to Tenant and Landlord, and is hereby empowered, to take possession of the Premises, expel Tenant from the Premises, and acquire all of Tenant's right, title and interest as tenant in, to and under the Lease. In such event, Tenant shall have no further right, title or interest in the Lease or the Premises, but shall remain solely liable to Landlord under the Lease for all rents, charges and other obligations owed under the Lease prior to the date upon which Franchisor assumes possession of the Premises.

3. **Landlord Consent to Collateral Assignment.** Landlord hereby:

a. Agrees to notify Franchisor in writing of and upon the failure of Tenant to cure any default by Tenant under the Lease;

b. Agrees that Franchisor shall have the right, but shall not be obligated, to cure any default by Tenant under the Lease within thirty (30) days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;

c. Consents to the foregoing collateral assignment set forth in Section 2 of this Rider and agrees that if Franchisor takes possession of the premises demised by the Lease pursuant to the collateral assignment, Landlord shall recognize Franchisor as tenant under the Lease from and after the date upon which Franchisor assumes possession and provides notice thereof to Landlord, but that Franchisor shall not be liable for any past due rents or other liabilities or obligations of Tenant under or in connection with the Lease prior to such date; and

d. Agrees that, provided there are then no existing defaults under the Lease, Franchisor may further assign the Lease to any person or business entity who shall agree to assume the tenant's obligations under the Lease and, upon such assignment, Franchisor shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.

4. **Amendment.** Tenant agrees that it will not suffer or permit any surrender, termination, amendment, extension or modification of the Lease without the prior written consent of Franchisor. Throughout the term of the Franchise Agreement (and any extensions, amendments and renewals thereto), Tenant agrees that it shall exercise all rights and options to extend the term of or renew the Lease (each a "**Renewal Option**") not less than thirty (30) days prior to the last day upon which such Renewal Option must be exercised, unless Franchisor otherwise agrees in writing. Tenant shall send Franchisor a copy of the notice of exercise concurrently with Tenant's exercise of each Renewal Option, and if Tenant fails to exercise such Renewal Option, Tenant hereby appoints Franchisor as its true and lawful attorney-in-fact to exercise such Renewal Option in the name, place and stead of Tenant for the sole purpose of effecting such extension or renewal, provided that Franchisor shall have no obligation to exercise such Renewal Option.

5. **Notice.** Landlord shall send to Franchisor (concurrently with the giving of such notice to Tenant) copies of all notices required to be sent to Tenant under the Lease via certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or such other address as Franchisor may provide to Landlord from time to time:

CD One Price Cleaners
2205 West Enterprise Drive
Suite 502
Westchester, IL 60154-5820
Attn: Rafiq Karimi Jr.

And by email to:

6. **Miscellaneous.**

a. All initial capitalized terms used but not defined in this Rider shall have the meanings set forth in the Lease.

b. The provisions of this Rider will supersede and control any conflicting provisions of the Lease.

c. Landlord acknowledges that Franchisor is not a party to, and has no liability or responsibility under, the Lease unless and until the Lease is assigned to, and assumed by, Franchisor.

d. Tenant and Landlord acknowledge that Franchisor is an intended third-party beneficiary of this Rider's terms with an independent right to enforce them against Tenant and Landlord.

e. Those parts of the Lease that are not expressly modified by this Rider remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Rider as of the date first above written.

LANDLORD:

By: _____

Name: _____

Title: _____

TENANT:

By: _____

Name: _____

Title: _____

FRANCHISOR:

CLEANERS DEPOT FRANCHISE, LLC,
a Nevada limited liability company

By: _____

Rafiq Karimi

Manager

EXHIBIT 1 to the
Collateral Assignment of Lease
LEASE

See attached

EXHIBIT C

FORM OF ELECTRONIC FUNDS TRANSFER AGREEMENTS

EXHIBIT D

FORM OF PERSONAL GUARANTY

THIS GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS is given this ____ day of _____, 201__, by the undersigned.

Franchisee: _____

Date of Franchise Agreement: _____

In consideration of, and as an inducement to, the execution of the CD Store Franchise Agreement dated as indicated above (the "**Franchise Agreement**") by Cleaners Depot Franchise, LLC ("**Franchisor**"), each of the undersigned and any other parties who sign counterparts of this guaranty (referred to herein individually as a "**Guarantor**" and collectively as "**Guarantors**") hereby personally and unconditionally: (a) guarantees to Franchisor, and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement and any other agreement between Franchisor (or its affiliate) and Franchisee relating directly or indirectly thereto (together with the Franchise Agreement, collectively, the "**Franchise Documents**"); and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Documents as if the undersigned were a signatory to the Franchise Documents, both monetary obligations and other obligations, including, without limitation, arbitration obligations, confidentiality obligations, transfer obligations, the obligation to pay costs and legal fees as provided in the Franchise Documents, and the obligation to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities (including, without limitation, the provisions of the Franchise Agreement relating to competitive activities).

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, for the express purpose that none of the undersigned shall be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to Franchisor; (ii) all rights to require Franchisor to proceed against Franchisee for any payment required under the Franchise Documents, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; (iii) any benefit of, any right to participate in, any security now or hereafter held by Franchisor; and (iv) acceptance and notice of acceptance by Franchisor of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled. Franchisor shall have no present or future duty or obligation

to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to Franchisor. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Franchise Documents or any indebtedness or obligation of Franchisee, or settle, adjust, release, or compromise any claims against Franchisee or any other guarantor, make advances for the purpose of performing any obligations of Franchisee under the Franchise Documents, assign the Franchise Documents or the right to receive any sum payable under the Franchise Documents, and the undersigned each hereby jointly and severally waive notice of same. The undersigned expressly acknowledge that the obligations hereunder survive the expiration or termination of the Franchise Documents.

In addition, the undersigned each waive any defense arising by reason of any of the following: (1) any disability or any counterclaim or right of set-off or other defense of Franchisee, (2) any lack of authority of Franchisee with respect to any of the Franchise Documents, (3) the cessation from any cause whatsoever of the liability of Franchisee, (4) any circumstance whereby any of the Franchise Documents shall be void or voidable as against Franchisee or any of Franchisee's creditors, including a trustee in bankruptcy of Franchisee, by reason of any fact or circumstance, (5) any event or circumstance that might otherwise constitute a legal or equitable discharge of the undersigned's obligations hereunder, except that the undersigned do not waive any defense arising from the due performance by Franchisee of the terms and conditions of the Franchise Documents, (6) any right or claim of right to cause a marshaling of the assets of Franchisee or any other guarantor, and (7) any act or omission of Franchisee.

Each Guarantor consents and agrees that: (a) such Guarantor's direct and immediate liability under this Guaranty shall be joint and several not only with Franchisee, but also among the Guarantors and other guarantors of Franchisee's obligations; (b) such Guarantor shall render any payment or performance required under the Franchise Documents upon demand; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (d) such liability shall not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Franchise Documents or by any extension of time, credit or other indulgence which Franchisor 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 Guaranty, which shall be continuing and irrevocable throughout the term of the Franchise Documents and for so long thereafter as there are any monies or obligations owing to Franchisor under the Franchise Documents; and (e) the written acknowledgment of Franchisee, accepted in writing by Franchisor, or the judgment of any court or arbitrator of competent jurisdiction establishing the amount due from Franchisee shall be conclusive and binding on the undersigned as Guarantors.

If Franchisor is required to enforce this Guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, it shall be entitled to reimbursement of its costs and expenses,

including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors shall reimburse Franchisor for any of the above-listed costs and expenses it incurs.

Each of the undersigned Guarantors represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of the Guarantor's marital estate.

Subject to the arbitration obligations and the provisions below, each of the undersigned Guarantors agrees that all actions arising under this Guaranty or any of the Franchise Documents, or otherwise as a result of the relationship between Franchisor (or any of its affiliates) and the undersigned, must be commenced in the state or federal court in Chicago, Illinois, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor (or any of its affiliates) may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled. EACH OF THE UNDERSIGNED IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, RELATING TO THIS GUARANTY.

All controversies, disputes or claims arising from or relating to this Guaranty or the validity, enforceability or interpretation hereof shall be governed by the laws of the State of Illinois, without regard to its conflicts of laws principles.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature on the same day and year as the Franchise Agreement was executed.

Print Name:_____

Print Spouse's Name:_____

Signature:_____

Signature:_____

Print Name:_____

Print Spouse's Name:_____

Signature:_____

Signature:_____

EXHIBIT B-2
RENEWAL ADDENDUM

B-2-1

CLEANERS DEPOT FRANCHISE, LLC
RENEWAL ADDENDUM

THIS RENEWAL ADDENDUM (the “**Addendum**”) with an effective date of _____, 20__, (the “**Effective Date**”), is made by and between Cleaners Depot Franchise, LLC, a Nevada limited liability company, with its principal place of business at 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154 (“**Franchisor**”), and _____ with a principal place of business at _____ (“**Franchisee**”).

RECITALS:

WHEREAS, Franchisor and Franchisee (or its predecessor) signed a certain Franchise Agreement effective as of _____ (together with all addenda, riders, amendments, and modifications thereto, collectively, the “**Former Agreement**”) granting Franchisee the right to operate a fixed-location retail dry cleaning store under the CD One Price Cleaners® name located at _____ (the “**Store**”); and

WHEREAS, under the Former Agreement, in connection with acquiring a renewal or successor franchise to continue to operate the Store under the CD One Price Cleaners® name, Franchisee is required to remodel and/or expand the Store, add or replace improvements and operating assets, and otherwise modify the Store to bring it into compliance with Franchisor’s standards and specifications for a newly-built CD Store; and

WHEREAS, simultaneously with signing this Addendum, Franchisor and Franchisee are signing the Franchise Agreement effective as of the Effective Date under which Franchisor is granting Franchisee a renewal or successor franchise to continue operating the Store under the Proprietary Marks and Operating Plans (together with any addenda and related agreements signed by Franchisor and Franchisee, collectively, the “**Franchise Agreement**”) (all initial capitalized terms used but not defined in this Addendum shall have the meanings set forth in the Franchise Agreement).

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Addendum and in the Franchise Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Termination of Former Agreement. The term of the Former Agreement shall be deemed to have expired as of the Effective Date and Franchisee will have no further rights under the Former Agreement subsequent to the Effective Date.

2. Store Remodeling and Upgrades. Despite Franchisee’s obligation pursuant to the Former Agreement to remodel the Store at the time of signing the Franchise Agreement, Franchisor has agreed to allow Franchisee to remodel the Store and otherwise alter the Store’s layout and appearance to reflect Franchisor’s then current Operating Plans in accordance with the timeframes in this Section 2, subject to the other provisions of the Franchise Agreement. Franchisee agrees that its obligations under this Section 2 are independent of, and not subject to,

the provisions of Section 6.6 of the Franchise Agreement, and nothing in this Section 2 shall limit Franchisor's right to require Franchisee to comply with Section 6.6 of the Franchise Agreement during the Franchise Agreement's term.

Within sixty (60) days after receiving Franchisor's written notice as to the Store remodeling, upgrades and improvements required in accordance with this Section 2 (the "**Renewal Upgrades**"), Franchisee shall prepare and submit to Franchisor for its approval a written plan (the "**Upgrade Plan**") for implementing the Renewal Upgrades at the Store in accordance with Franchisor's then current Operating Plans. At Franchisor's option, Franchisee must acquire equipment and other products and services associated with the Renewal Upgrades only from one or more suppliers that Franchisor designates or approves. The Upgrade Plan must include, without limitation and subject to Franchisor's rights under the Franchise Agreement, a proposed timeline for implementing the Renewal Upgrades, a plan for obtaining any necessary landlord and governmental approvals and licenses, and proposed sources of financing. Franchisee must make such modifications to the Upgrade Plan that Franchisor specifies and implement the Upgrade Plan in the form that Franchisor approves.

3. Franchise Fee. Section 4.1 of the Franchise Agreement is deleted. Franchisee will not pay any initial fee or renewal fee upon signing the Franchise Agreement.

4. Royalty Fee for Fully-Financed Program. This Section 4 applies only if Franchisee previously operated the Store under Franchisor's fully-financed program, as reflected by the parties' initials in the spaces below. If the spaces below are not initialed by the parties, then this Section 4 shall not apply.

Because Franchisee previously operated the Store under Franchisor's fully-financed program, the first sentence of Section 4.2.1 of the Franchise Agreement is revised to state that the continuing royalty fee for the Store is the amount equal to eight percent (8%) of the Gross Revenues for the Store.

Initials of Franchisor: _____

Initials of Franchisee: _____

5. Royalty Fee Rebate. Despite the Former Agreement's termination, the parties agree that the royalty fee rebate payable pursuant to Section 4.2.3 of the Franchise Agreement will be calculated without regard to the expiration of the term of the Former Agreement and the start of the Term of the Franchise Agreement, to reflect Franchisee's continued operation of the Store throughout the entire Period.

6. Training. Because Franchisee operated the Store under the Former Agreement, the requirement for Franchisor to provide, and for Franchisee (and its owners and other personnel) to attend and complete, Initial Training is deleted.

7. Release. As partial consideration for Franchisor's granting Franchisee the rights under this Addendum and the Franchise Agreement, and as required by the Former Agreement, Franchisee, for itself and its predecessors and affiliates, each of its and their respective owners, directors, officers, employees, agents and representatives (as applicable), and all of its and their

respective heirs, executors, administrators, personal representatives, successors and assigns (collectively, the “**Franchisee Parties**”), do hereby forever release, remise, requit and forever discharge Franchisor, its predecessors and affiliates, each of its and their respective owners, directors, officers, employees, agents and representatives (as applicable), and all of its and their respective heirs, executors, administrators, personal representatives, successors and assigns (collectively, the “**Franchisor Parties**”), from any and all manner of obligation, right, duty, debt, liability, covenant, contract, agreement, undertaking and account, and any and all claims, demands, losses, damages, actions or causes of action, that any of the Franchisee Parties had, has, or, to the fullest extent permitted under applicable law, may have against any of the Franchisor Parties, whether known or unknown, foreseen or unforeseen, direct or indirect, contingent or actual, liquidated or unliquidated, suspected or unsuspected, which occurred and/or arose prior to or as of the Effective Date, that were or could have been asserted and which arise from or relate, directly or indirectly, in any way to the Former Agreement, the Store, the business that Franchisee conducted under the Former Agreement, or the relationship between Franchisor (or its affiliate) and any of Franchisee Parties arising under or relating to the Former Agreement (collectively, the “**Released Claims**”). Franchisee, for itself and the other Franchisee Parties, represents and warrants to Franchisor that none of the Franchisee Parties has assigned any of the Released Claims to any person or entity that is not bound by this paragraph and covenants not to sue any of the Franchisor Parties on any of the Released Claims.

It is the parties’ express intention that this release be general and as broad as permitted by law for such matters existing or arising at any time prior to the Effective Date. Each of the Franchisee Parties hereby waives and relinquishes every right or benefit which he, she, or it may have under any law limiting the effect of releases, to the fullest extent that he, she, or it may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Released Claims, each of the Franchisee Parties acknowledges that he, she, or it may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of this release, but that it is the parties’ intention, subject to the terms and conditions of this Addendum, fully, finally and forever, to settle and release all such Released Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the releases given in this Section 6 shall be and remain in effect as full and complete releases of all such Released Claims, notwithstanding the discovery or existence of any such additional or different facts.

8. Miscellaneous. This Addendum is an amendment to, and forms a part of, the Franchise Agreement. Except as amended by this Addendum, the Franchise Agreement will continue in full force and effect. The recitals to this Addendum are a part of this Addendum, which, together with the Franchise Agreement, constitutes the entire agreement between Franchisor and Franchisee, and there are no oral or other written understandings, representations or agreements between Franchisor and Franchisee, relating to the subject matter of this Addendum. No modification, change or alteration of this Addendum shall be effective unless in writing and executed by Franchisor and Franchisee. If there is a conflict between any provision of the Franchise Agreement and a provision of this Addendum, the provision of this Addendum controls.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

FRANCHISOR:

**CLEANERS DEPOT FRANCHISE,
LLC**, a Nevada limited liability company

By: _____

Rafiq Karimi
Manager

FRANCHISEE:

**(IF CORPORATION, LIMITED
LIABILITY COMPANY OR
PARTNERSHIP):**

[Name]

By: _____

Its: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT B-3
SATELLITE STORE ADDENDUM

B-3-1

CLEANERS DEPOT FRANCHISE, LLC
SATELLITE STORE ADDENDUM

THIS SATELLITE STORE ADDENDUM (the “**Addendum**”) with an effective date of _____, 202__ (the “**Effective Date**”), is made by and between Cleaners Depot Franchise, LLC, a Nevada limited liability company, with its principal place of business at 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154 (“**Franchisor**”), and _____, a(n) _____ with a principal place of business at _____ (“**Franchisee**”).

R E C I T A L S:

WHEREAS, simultaneously with signing this Addendum, Franchisor and Franchisee are signing the Franchise Agreement effective as of the Effective Date under which Franchisor is granting Franchisee a franchise to develop and operate a satellite CD Store at _____ (the “**Store**”) under the Proprietary Marks and Operating Plans (together with all addenda, riders, amendments, and modifications thereto, collectively, the “**Franchise Agreement**”). All initial capitalized terms used but not defined in this Addendum shall have the meanings set forth in the Franchise Agreement; and

WHEREAS, _____, Franchisee’s affiliate (the “**Plant Store Operator**”), operates a full-production CD Store at _____ (the “**Plant Store**”) under a Franchise Agreement dated as of _____, 20____ between Franchisor and the Plant Store Operator (together with all addenda, riders, amendments, and modifications thereto, collectively, the “**Plant Store Franchise Agreement**”); and

WHEREAS, Franchisee has requested the right to develop and operate the Store as a satellite store with production support from the Plant Store, and Franchisor has agreed to grant those rights in accordance with the terms and conditions of this Addendum.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Addendum and in the Franchise Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Operation as a Satellite Store. Franchisor and Franchisee acknowledge and agree that the Store is not required nor permitted to contain dry cleaning machines, pressing equipment and related equipment that Franchisor specifies (collectively, the “**Dry Cleaning Equipment**”) and, without the Dry Cleaning Equipment, the Store cannot perform all of the functions of a fully-operating CD Store. Franchisee shall use the Store to collect and return garments and otherwise operate as a “satellite store,” in accordance with the provisions of this Addendum and the Franchise Agreement. Franchisee agrees that it is not authorized to install Dry Cleaning Equipment at the Store or otherwise to operate the Store as a full production CD Store under the Franchise Agreement and this Addendum.

2. Relationship with Plant Store. Franchisee agrees to acquire dry cleaning and related processing and other production and management support for the Store from the Plant Store

Operator and the Plant Store in accordance with the provisions of this Addendum and the Franchise Agreement. Franchisee agrees to comply with, and to ensure that the Plant Store Operator provides all services relating directly or indirectly to the cleaning and processing of garments and other items for the Store's customers and otherwise complies with, Franchisor's standards and specifications, as Franchisor may periodically modify them, relating to the development and operation of satellite stores (collectively, the "**Satellite Store Standards**") including, without limitation, in connection with transporting garments between the Store and the Plant Store.

3. Limitations as to Support. Franchisee acknowledges that Franchisor does not currently operate any satellite store and has only a limited number of franchisees who operate or are authorized to operate their CD Store as a satellite store, and that the Satellite Store Standards are limited, newly-developed, and likely to change over time. Franchisee agrees that, except for the limited Satellite Store Standards, the guidance, support and assistance that Franchisor is required to provide under the Franchise Agreement need not be tailored for satellite store operations.

4. Store Lease. Notwithstanding Section 6.10.1 of the Franchise Agreement, the initial term of the Lease, or the initial term together with renewal terms, shall be for at least five (5) years.

5. Vehicle. Franchisee agrees to acquire and upfit a vehicle for use in transporting garments and other items between the Store and the Plant Store (the "**Vehicle**") in accordance with the Franchise Agreement. Franchisee agrees to maintain the Vehicle in good operating condition throughout the Term and/or replace the Vehicle as needed in accordance with the Satellite Store Standards and other Operating Plans.

6. Refurbishing the Store. Section 6.6 of the Franchise Agreement is amended to provide that the cost to Franchisee for such refurbishment under Section 6.6 shall not exceed Twenty-Five Thousand Dollars (\$25,000).

7. Termination Based on Production Capacity. Franchisee acknowledges that, as a satellite store, the Store cannot operate without the dry cleaning, related processing and other production and management support from the Plant Store. Therefore, in addition to Franchisor's rights and remedies under the Franchise Agreement, Franchisor may terminate the Franchise Agreement, effective immediately upon delivery of written notice to Franchisee, if, at any time during the Term: (a) the Plant Store is no longer able to provide dry cleaning and other production services for the Store according to Franchisor's standards; (b) the Plant Store Franchise Agreement expires (without the grant of a successor franchise) or terminates, regardless of the reason; or (c) there is any transfer (as defined in the Plant Store Franchise Agreement) of all or substantially all of the assets of the Plant Store or a direct or indirect controlling ownership interest in the Plant Store Operator. Franchisee also agrees that Franchisor may condition its consent to any transfer relating to Franchisee and/or the Store under Section 12 of the Franchise Agreement on the simultaneous transfer of such assets, ownership interests and other rights and obligations relating to the Plant Store Operator and/or the Plant Store such that, following such transfer, the franchisees of the Plant Store and the Store are affiliated and, in Franchisor's judgment, the Plant Store is able

to provide dry cleaning, related processing and other production and management support to the Store in accordance with Franchisor's standards.

8. **[FOR FIRST 3 ADDENDA SIGNED:]** Satellite Store Incentive Program. Because the Franchise Agreement covers one of the first three (3) Satellite Stores scheduled to be developed in 2022, Franchisee may be eligible to participate in the "Satellite Store Incentive Program" and received reduced fees, as described below.

(a) Franchisee shall pay Franchisor an initial franchise fee of Two Thousand Dollars (\$2,000) upon signing the Franchise Agreement.

(b) Notwithstanding the first sentence of Section 4.2.1 of the Franchise Agreement, Franchisee shall pay to Franchisor (or its designee) a continuing royalty fee in the amount equal to: (a) three and one-half percent of the Gross Revenues for the Store for each one week period, or such other period as Franchisor may specify from time to time, for Gross Revenues accrued during the period beginning on the date upon which the Store first opens for business and ending on first anniversary of that date; and (b) six and one-half percent (6.5%) of the Gross Revenues for the Store for each one week period, or such other period as Franchisor may specify from time to time, for Gross Revenues accrued after the first anniversary of the date upon which the Store first opens for business.

(c) Section 9.2 of the Franchise Agreement is amended to reduce the required expenditure for the initial grand opening advertising and marketing program for the Store to Ten Thousand Dollars (\$10,000). In addition to the parties' rights and obligations under Section 9.2 of the Franchise Agreement, Franchisor agrees to cause the Marketing Fund to reimburse Franchisee for an amount equal to fifty percent (50%) of the third party costs (as reflected by paid invoices) that Franchisee spends to conduct the Store's initial grand opening advertising and marketing program, provided that the aggregate amount of such reimbursement will not exceed Five Thousand Dollars (\$5,000). If Franchisor and Franchisee mutually agree that additional grand opening and marketing investments are warranted, Franchisor agrees to cause the Marketing Fund to reimburse Franchisee for an amount equal to fifty percent (50%) of the third party costs (as reflected by paid invoices) that Franchisee spends to conduct the additional initial grand opening advertising and marketing program efforts, provided that the aggregate amount of such additional reimbursement will not exceed Twenty Five Hundred Dollars (\$2,500).

Franchisee acknowledges that eligibility for the benefits described in this Section 8 are conditioned upon Franchisee's developing and opening the Store in accordance with the Franchise Agreement and this Addendum on or before December 31, 2022. If Franchisee fails to develop and open the Store in accordance with the Franchise Agreement and this Addendum on or before December 31, 2022, then this Section 8 shall be of no force or effect, and Franchisee shall pay to Franchisor, within ten (10) days after receiving Franchisor's invoice, an additional initial franchise fee of Ten Thousand Five Hundred Dollars (\$10,500), reflecting the difference between the standard initial franchise fee for a Satellite Store of Twelve Thousand Five Hundred Dollars (\$12,500) and the amount paid to Franchisor upon signing the Franchise Agreement under Section 8(a) above.

9. Miscellaneous. This Addendum is an amendment to, and forms a part of, the Franchise Agreement. Except as amended by this Addendum, the Franchise Agreement will continue in full force and effect. The recitals to this Addendum are a part of this Addendum, which, together with the Franchise Agreement, constitutes the entire agreement between Franchisor and Franchisee, and there are no oral or other written understandings, representations or agreements between Franchisor and Franchisee, relating to the subject matter of this Addendum. No modification, change or alteration of this Addendum shall be effective unless in writing and executed by Franchisor and Franchisee. If there is a conflict between any provision of the Franchise Agreement and a provision of this Addendum, the provision of this Addendum controls.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

FRANCHISOR:

**CLEANERS DEPOT FRANCHISE,
LLC**, a Nevada limited liability company

By: _____
Rafiq Karimi
Manager

FRANCHISEE:

**(IF CORPORATION, LIMITED
LIABILITY COMPANY OR
PARTNERSHIP):**

[Name]

By: _____
Its: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT C-1

LETTER OF INTENT

C-1-1

LETTER OF INTENT

[CD AFFILIATE FOR STORE TO BE PURCHASED]

2205 Enterprise Drive
Suite 502
Westchester, Illinois 60154
_____, 20__

[PROSPECTIVE FRANCHISEE NAME AND ADDRESS]

Dear [PROSPECTIVE FRANCHISEE]:

The purpose of this letter of intent is to set forth certain nonbinding understandings and certain binding agreements between you and **[CD AFFILIATE FOR STORE TO BE PURCHASED]** (“we,” “us” or “our”) with respect to your proposed acquisition of certain assets associated with operating the CD One Price Cleaners store at **[STORE ADDRESS]** (the “Store”) on the terms and subject to the conditions set forth in this letter (the “Transaction”). The obligations and commitments in paragraphs 2, 4, 5 and 7 (collectively, the “Binding Obligations”) reflect our and your binding obligations during the LOI Term (defined below). Paragraphs 1, 3 and 6 reflect our and your current understanding of the anticipated process for the planned Transaction, but do not (i) constitute a complete statement of, or a legally binding or enforceable agreement or commitment on the part of us or you with respect to, the matters described in them, or (ii) impose on either us or you an enforceable duty or obligation to negotiate towards or conclude any such agreement or commitment. The period beginning on the date that you countersign this letter and ending on the date upon which this letter terminates, as described in paragraph 7, is called the “LOI Term.” References to terminating this letter mean the termination of our and your Binding Obligations under this letter.

1. Before receiving this letter, you received the Franchise Disclosure Document (the “FDD”) from Cleaners Depot Franchise, LLC, our affiliate (the “Franchisor”). The FDD contains the form of Franchise Agreement that you and the Franchisor would sign (the “Franchise Agreement”) and the form of Asset Purchase Agreement that we and you would sign (the “Purchase Agreement”) if we and you move forward with the Transaction.

2. During the LOI Term, we agree not to sell the Store’s assets to any party other than you (or a company you own). After the LOI Term we may sell any part or all of the Store’s assets to any party and at any price, except if we and you sign the Purchase Agreement, in which case its provisions will control. We and you agree that neither we nor you, nor our or your respective affiliates, employees, or representatives, will make any public release of information regarding the matters that this letter contemplates, except as we and you mutually agree or if that disclosure is required by law. We and you each agree to be solely responsible for our and your own fees and expenses, including legal, accounting and other costs associated with this letter and the transactions it contemplates.

3. If we and you close the Transaction on or before _____, 20__ (the “Projected Closing Date”), the anticipated purchase price for the Store’s assets is \$_____ (the “Purchase Price”). **[This Purchase Price is in addition to the \$30,000/\$15,000 initial franchise fee you would pay to the Franchisor under the Franchise Agreement.] [We would agree to finance up to _____% of the Purchase Price, paid in _____ monthly installments of principal and interest (at a rate of 12% per year), under a Subordinated Secured Promissory Note in substantially the same form as the document which is included in the FDD. If we finance any of the Purchase Price, you also would sign a Security Agreement and Confession of Judgment in substantially the same forms as the documents which are included in the FDD. If you form a company to buy the Store’s assets, you and the company’s other owners would sign a Personal Guaranty in substantially the same form as the document which is included in the FDD. The Promissory Note, Security Agreement, Personal Guaranty (if applicable) and Confession of Judgment are collectively called the “Financing Documents.”]**

4. Simultaneously with signing this letter, you agree to pay us a deposit of \$10,000 (the “LOI Deposit”).

5. You agree to use your good faith best efforts to obtain financing for an amount which, when added to your down payment, is equal to **[the entire Purchase Price OR at least _____% of the Purchase Price]** on commercially reasonable terms in time to close the Transaction on or before the Projected Closing Date. Your down payment must be unencumbered equity, meaning funds that are not subject to any direct or indirect encumbrance or repayment obligation on or at any time after the Transaction’s closing (whether conditional or unconditional, express or implied). You must use your good faith best efforts to obtain a binding commitment letter from your lender for this financing in a form that we reasonably approve (the “Commitment Letter”) on or before _____, 20__ (the “Commitment Letter Deadline”). You acknowledge that an interest rate of 12% per year constitutes commercially reasonable terms, although you may try to obtain a lower rate.

6. If you obtain a Commitment Letter on or before the Commitment Letter Deadline, and if we and you then decide (at our respective sole options, after continuing our and your due diligence process) to move forward with the Transaction, then at that time we and you would sign the Purchase Agreement and its provisions will govern our and your obligations relating to the Transaction. Also at that time you and the Franchisor would sign a Franchise Agreement and the Franchisor would provide you (and your personnel) with the initial training program under the Franchise Agreement. You (or your personnel) must complete this initial training program to the Franchisor’s satisfaction before the Transaction closes. If you qualify as a veteran or for another incentive program that the Franchisor offers as of the date of this letter under which the initial franchise fee under the Franchise Agreement (if any) is less than the LOI Deposit, we would apply the LOI Deposit, without interest, towards the Purchase Price, which is due to us when you sign the Purchase Agreement. Otherwise the Franchisor would apply the LOI Deposit, without interest, towards the **[\$30,000/\$15,000]** initial franchise fee, which is due to the Franchisor when you sign the Franchise Agreement and which is not refundable under any circumstances. If the Purchase Agreement terminates before Transaction closes, then the

Franchisor may terminate the Franchise Agreement, effective upon delivery of written notice to you.

7. This letter will terminate automatically upon our and your signing the Purchase Agreement and the Franchisor's and your signing the Franchise Agreement. At such time, we or the Franchisor will apply the LOI Deposit as described in paragraph 6. We and you may terminate this letter and decide not to move forward with the Transaction, for any or no reason, at any time before signing the Purchase Agreement and Franchise Agreement. If that happens, whether or not we refund all or part of the LOI Deposit depends on the circumstances under which this letter is terminated.

(a) If you obtain a Commitment Letter and are prepared to sign and deliver the Franchise Agreement and Purchase Agreement on or before the Commitment Letter Deadline, and we decide not to move forward with you, then we will refund to you (without interest) the full amount of the LOI Deposit. We also will refund to you (without interest) the full amount of the LOI Deposit if we breach our Binding Obligations.

(b) If we terminate this letter because you fail (despite your documented good faith and best efforts) to obtain a Commitment Letter on or before the Commitment Letter Deadline, then we will refund to you \$5,000 of the LOI Deposit and we may keep the rest of the LOI Deposit.

(c) If we terminate this letter because you breach any of your Binding Obligations, or if we or you terminate this letter before signing the Purchase Agreement and Franchise Agreement under any other circumstances (except as specified in subparagraphs (a) and (b) above), we will not refund any of the LOI Deposit to you and we may keep the entire LOI Deposit.

Please sign and date this letter in the space provided below to confirm our mutual understandings and agreements as set forth in this letter and return a signed copy to me. If we do not receive a signed copy of this letter on or before _____, 20__, we will assume that you have no further interest in pursuing the Transaction.

[CD AFFILIATE FOR THE STORE/SELLER]

By: _____
Title: _____

Acknowledged and agreed to
this ____ day of _____, 20__

[PRINT NAME OF PROSPECTIVE FRANCHISEE]

EXHIBIT C-2
ASSET PURCHASE AGREEMENT

C-2-1

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the “**Agreement**”) is entered into as of _____, 20__ (the “**Signing Date**”), by and between by and between [Cleaners Depot affiliate for the CD Store], a _____ limited liability company (“**Seller**”), and _____, a _____ (“**Buyer**”).

RECITALS

A. Seller operates a retail dry cleaning business located at _____ (the “**Business**”).

B. Cleaners Depot Franchise, LLC, a Nevada limited liability company and Seller’s affiliate (“**Franchisor**”), and Buyer are parties to the Franchise Agreement dated as of _____, 20__ (the “**Franchise Agreement**”) pursuant to which Buyer plans to operate the Business after the Closing (defined below).

C. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, certain assets associated with the Business according to the terms and conditions of this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants, representations and promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE OF ASSETS

1.1 Agreement to Transfer Assets. Upon the terms and subject to the conditions contained herein, at the Closing (as defined in Section 1.2), Seller hereby agrees to sell, convey, transfer, assign and deliver to Buyer, and Buyer hereby agrees to acquire from Seller, all of Seller’s right, title and interest in and to only the following assets of Seller (the “**Assets**”):

(a) all tangible assets owned by Seller that are present at the Business’ premises as of the Effective Time (defined in Section 1.2), which will include, without limitation, the equipment and smallwares listed on Exhibit A together with all manufacturers’ warranties (to the extent assignable) with respect thereto;

(b) the Deliverable Supplies (defined in Section 5.1);

(c) the annual solvent license for the Business (the “**Solvent License**”);

(d) the Store Services Contracts (defined in Section 3.2);

(e) the primary telephone number of the Business (to the extent assignable);
and

(f) the going concern value associated with the Business and the Assets.

No other assets of Seller, including, without limitation, any of Seller's or its affiliate's rights under the lease for the Business' premises dated as of _____, 20__ with _____ (the "**Landlord**") under which Seller occupies the Business' premises (the "**Prime Lease**"), are included in the Assets to be conveyed pursuant to this Agreement.

Seller hereby agrees to deliver the Assets at the Closing free and clear of all liens, claims or encumbrances. BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS SET FORTH IN ARTICLE III, BUYER IS PURCHASING THE ASSETS FROM SELLER ON AN "AS IS" BASIS AND SELLER IS MAKING NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ASSETS, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

1.2 Closing. Consummation of the transactions that this Agreement contemplates (the "**Closing**") shall take place at the principal offices of Seller at 10:00 a.m. on _____, 20__ or the date to which the parties mutually agree in writing, but in no event sooner than the date upon which the conditions to closing in Sections 6.1 and 6.2 are satisfied or waived (the "**Closing Date**"), unless this Agreement is terminated sooner under Section 6.3 or 6.4. The effective time of the Closing shall be at 11:59 p.m. on the Closing Date (the "**Effective Time**").

1.3 Assumed Liabilities. As partial consideration for Seller's sale of the Assets to Buyer, simultaneously with the Closing, and in addition to complying with its post-Closing covenants under Article V, Buyer agrees to assume (a) all obligations and liabilities that arise out of or relate to the Store Services Contracts after the Effective Time; and (b) the obligation to pay the purchase price for the Deliverable Supplies (collectively, the "**Assumed Liabilities**").

1.4 No Assumption of Excluded Liabilities. Buyer does not assume or take subject to any liabilities or obligations of Seller whatsoever which are not expressly listed in Section 1.3 (the "**Excluded Liabilities**"). Without limiting the generality of the foregoing, the Excluded Liabilities include: (a) all amounts owed to employees of the Business relating to the period before the Effective Time, including, without limitation, wages, benefits and vacation pay earned under the terms of Seller's associate handbook as of the Effective Time and any Taxes (defined in Section 3.5) arising from the operation of the Business before the Effective Time; (b) liabilities or obligations under the Prime Lease (subject to the Sublease, as defined in Section 5.7); and (c) utility expenses (subject to Section 2.3).

ARTICLE II

PURCHASE PRICE AND CONSIDERATION

2.1 Purchase Price. The aggregate consideration to be paid to Seller for the Assets and Seller's other obligations under this Agreement is an amount equal to _____ Dollars (\$_____), subject to adjustment under Section 2.3 (the "**Purchase Price**"). At the Closing on the Closing Date, Buyer shall pay to Seller or at Seller's direction, via wire transfer of immediately available funds, an amount equal to the Purchase Price.

2.2 Allocation of Purchase Price. Buyer and Seller agree to report the transactions contemplated hereby for federal income tax and all other tax purposes (including, without limitation, for purposes of Section 1060 of the Internal Revenue Code), and to allocate the Purchase Price, as follows:

(a) the Purchase Price shall be allocated first to equipment, to the extent of the depreciated net book value of the equipment conveyed hereunder, as shown on Seller's books and records for tax purposes, and

(b) the remainder of the Purchase Price, if any, shall be allocated to going concern value.

Seller shall provide Buyer with a written allocation schedule, prepared in accordance with this Section 2.2, to be used by the parties hereto for the purposes of this Section 2.2, within thirty (30) days after the Closing Date.

2.3 Prorations. Buyer and Seller will prorate (a) base rent and common area maintenance charges under the Prime Lease pursuant to the Sublease, (b) the expenses for utilities (including, without limitation, telephone, water, gas and electric expenses), and (c) the costs for the Solvent License that Seller paid before the Closing (collectively, the "**Proration Items**"), such that Seller shall be responsible for the portion of such expenses and costs incurred, accrued or relating to the period before the Closing and Buyer shall be responsible for the portion of such expenses and costs incurred, accrued or relating to the period on and after the Closing. To the extent possible, Seller and Buyer will attempt to obtain final amounts due of the Proration Items as of the Closing Date. Buyer and Seller shall prorate such Proration Items as of the Closing Date and the net amount owed under this Section 2.3 by Buyer to Seller, or by Seller to Buyer, shall be added to or subtracted from the Purchase Price, as applicable, on the Closing Date. From time to time following the Closing Date until all Proration Items have been calculated, Buyer or Seller, as applicable, shall compute and provide to the other a statement of Proration Items for which invoices have been received, and which have not previously been prorated.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as of the Signing Date and as of the Closing Date (except as set forth in Section 3.6) as follows:

3.1 Organization of Seller. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Illinois, and has all requisite company power and authority to enter into this Agreement and to carry out the transactions contemplated herein. The execution, delivery and performance of this Agreement by Seller have been duly authorized by all necessary company action.

3.2 Store Services Contracts. Exhibit B lists the contracts for internet access, trash removal service, coffee service, ATM-related equipment and services, point-of-sale maintenance, filter, HVAC, radio/audio services and security/alarm services relating to the Business to which Seller is or will be bound as of the Closing (collectively, the “**Store Services Contracts**”). The Store Services Contracts are in full force and effect.

3.3 Solvent License The Solvent License is in full force and effect and is transferable to Buyer.

3.4 Title to Assets As of the Closing Date, Seller is (or, with respect to the Deliverable Supplies, will be upon their delivery to the Business) the lawful owner of the Assets, and shall have good and marketable title thereto, free and clear of all liens, claims, charges, security interests and encumbrances, subject to Section 5.5.

3.5 Taxes. Seller has filed with the appropriate authorities all returns and other material information (collectively, the “**Tax Returns**”) concerning income, sales, use, payroll, personal property or any other kind of taxes (“**Taxes**”) required to be filed through the Closing Date. All Tax Returns and other information filed by Seller are complete and accurate in all respects. Seller has paid all Taxes shown to be due by such Tax Returns or under any assessment received by Seller.

3.6 No Litigation. Neither Seller nor Franchisor is a defendant in any lawsuit pending as of the Signing Date that is material to the operation of the Business.

ARTICLE IV

REPRESENTATION AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as of the Signing Date and as of the Closing Date as follows:

4.1 Organization of Buyer. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of _____, and has all requisite company power and authority to enter into this Agreement and to carry out the

transactions contemplated herein. The execution, delivery and performance of this Agreement by Buyer have been duly authorized by all necessary company action.

4.2 Financing Commitment Buyer has obtained and delivered to Seller a binding commitment letter from _____ to obtain financing for _____ Dollars (\$_____) of the Purchase Price and has _____ Dollars (\$_____) of unencumbered equity to contribute towards the Purchase Price. For purposes of this Section 4.2, “unencumbered equity” means funds that are not subject to any direct or indirect encumbrance or repayment obligation on or at any time after the Closing (whether conditional or unconditional, express or implied) by Seller or any of its owners.

ARTICLE V

COVENANTS OF SELLER AND BUYER

Seller and/or Buyer, as applicable, covenant as follows:

5.1 Operation of the Business. Between the Signing Date and the Closing Date, Seller shall operate the Business only in the ordinary course of business, including, without limitation, by placing usual and customary orders for hangars, solvents, bags and other supplies. At Buyer’s option, Seller shall provide Buyer the opportunity to verify the final weekly supply order for hangars, solvents, bags and other supplies that Seller places before the Closing Date and which are to be delivered after the Closing (the “**Deliverable Supplies**”).

5.2 Due Diligence. Prior to the Closing Date, Buyer and its authorized representatives shall have the right to conduct such due diligence, and Seller shall provide such due diligence or access to requested information, as Buyer reasonably requires. From time to time prior to the Closing and upon twenty-four (24) hours’ prior notice, one or more representatives of Buyer may inspect the Business’ premises and any of Seller’s books and records relating to the Business, make and retain copies of those books and records, and interview employees of the Business, but Buyer shall use reasonable efforts to avoid disrupting the operation of the Business.

5.3 Punchlist Items. Promptly after the Signing Date, Seller shall complete the improvements and repairs described on the punchlist attached as Exhibit C (the “**Punchlist**”). In addition, during the seven (7)-day period after the Closing, Seller agrees to negotiate in good faith with respect to any request by Buyer relating to minor cosmetic repairs of the Business premises that Seller would make after the Closing.

5.4 Financing. Promptly after the Signing Date, Buyer must use good faith best efforts to obtain financing for the Purchase Price in accordance with the commitment letter described in Section 4.2.

5.5 Payoff Letter. Prior to the Closing Date, Seller shall obtain and deliver to Buyer a payoff letter, in a form reasonably acceptable to Buyer (the “**Payoff Letter**”), under which

_____ (the “**Seller’s Lender**”) agrees to release any lien on any of the Assets provided that it receives payment of the amount listed in the payoff letter as due from Seller (the “**Payoff Amount**”). Simultaneously with the Closing, Seller shall pay the Payoff Amount to Seller’s Lender. Promptly after the Closing, Seller shall file UCC-3 termination statements to release any lien that Seller’s Lender has on any of the Assets.

5.6 Garment Delivery. Seller agrees to clean the garments that customers deliver to Seller on the Closing Date and the day before the Closing Date using ordinary production runs and otherwise in the ordinary course of business, consistent with past practices. After the Closing, Buyer agrees to clean (to the extent not already cleaned by Seller before the Effective Time) and deliver to the appropriate customers, in the ordinary course of business, the garments that those customers left with Seller and that remain on the Business premises as of the Effective Time.

5.7 Closing Date Agreements. Simultaneously with the Closing:

(a) Seller and Buyer shall sign and deliver to each other the “**Bill of Sale**” substantially in the form attached as Exhibit D hereto and the “**Assumption Agreement**” substantially in the form attached as Exhibit E hereto; and

(b) Seller shall cause Cleaners Depot Lease Operations, LLC, a Nevada limited liability company and Seller’s affiliate (“**Sublandlord**”), to sign and deliver to Buyer, and Buyer shall sign and deliver to Sublandlord, the “**Sublease**” substantially in the form attached as Exhibit F hereto.

5.8 Employee Matters. Seller shall terminate the employment of all employees of the Business effective as of the Effective Time. Any severance cost, expense or liability relating to any employees terminated by Seller shall be the sole responsibility of Seller. Buyer is solely responsible for complying with all laws, rules and regulations relating to the hiring and employment of all its employees.

5.9 Liabilities. From and after the Closing Date, Buyer shall pay and discharge, as and when due, all Assumed Liabilities and Seller shall pay and discharge, as and when due, all Excluded Liabilities.

5.10 Access. From and after the Closing Date and upon reasonable notice, Buyer shall provide Seller and its counsel, accountants and other authorized representatives reasonable access during normal business hours to the premises, personnel, properties, personnel, books and records of Buyer for any information that Seller reasonably deems necessary for any reasonable business purpose (but so as not to unduly disrupt the normal course of operations of Buyer), including, without limitation, for the purpose of preparing or defending any tax return, any interim or annual report or other accounting statements or preparing or defending against any litigation or other claims.

5.11 Further Assurances. Upon the terms and subject to the conditions contained herein, each of Buyer and Seller agrees (a) to use all reasonable efforts to take, or cause to be

taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, obtaining any necessary third-party consents prior to the Closing and otherwise causing the conditions specified in Sections 6.1 (with respect to Seller's efforts) and 6.2 (with respect to Buyer's efforts) to be satisfied on or before _____, 20__;

(b) to execute any further documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the transactions contemplated hereunder; and (c) to cooperate with each other in connection with the foregoing.

ARTICLE VI

CONDITIONS TO CLOSING AND TERMINATION

6.1 Conditions to Buyer's Obligation to Close. The obligation of Buyer to proceed with the Closing is subject to the satisfaction on or before the Closing Date of each of the following conditions, unless waived by Buyer:

(a) the representations and warranties of Seller contained in Article III shall be true and correct in all material respects as of the Closing Date;

(b) Seller shall have signed or caused its affiliate to sign (as applicable) and delivered to Buyer the agreements required to be delivered by Seller or its affiliate under Section 5.7;

(c) the improvements and repairs identified in the Punchlist shall have been substantially completed as of the Closing Date. Buyer shall have the opportunity to inspect the Business' premises shortly before the Closing to confirm, using commercially reasonable judgment, that those improvements and repairs have been substantially completed. The condition in this Subsection (c) shall be deemed satisfied if Seller agrees to finalize any remaining improvements and repairs identified on the Punchlist (the "**Remaining Repairs**") promptly after the Closing and the store is fully operational notwithstanding the Remaining Repairs;

(d) Buyer shall have obtained financing for the Purchase Price (subject to its compliance with Section 5.4);

(e) Seller shall have obtained the Payoff Letter;

(f) Seller shall have obtained the consent of the Landlord for the Business' premises to Buyer's assuming possession of the premises under the Sublease (if required).

Buyer acknowledges that it shall have no right or authority to refuse to acquire the Assets and otherwise close the transactions that this Agreement contemplates if the conditions in this Section 6.1 are satisfied before this Agreement is terminated pursuant to Section 6.3 or 6.4. Nothing herein shall be construed to prevent Buyer, in its sole and absolute discretion, from waiving in writing any of the above conditions, in whole or in part, at any time up to the Closing.

6.2 Conditions to Seller's Obligations to Close. The obligation of Seller to proceed with the Closing is subject to the satisfaction on or before the Closing Date of each of the following conditions, unless waived by Seller:

(a) the representations and warranties of Buyer contained in Article IV shall be true and correct in all material respects as of the Closing Date;

(b) Seller shall have obtained the consent of the prime landlord for the Business' premises to Buyer's assuming possession of the premises under the Sublease (if required);

(c) Buyer shall have complied with the Franchise Agreement, including, without limitation, by completing the initial training program to the Franchisor's satisfaction and otherwise complying with the Franchise Agreement's conditions to Buyer's opening of the Store; and

(d) Buyer shall have delivered the Purchase Price in accordance with Article II.

Seller acknowledges that it shall have no right or authority to refuse to sell the Assets and otherwise close the transactions that this Agreement contemplates if the conditions in this Section 6.2 are satisfied before this Agreement is terminated pursuant to Section 6.3 or 6.4. Nothing herein shall be construed to prevent Seller, in its sole and absolute discretion, from waiving in writing any of the above conditions, in whole or in part, at any time up to the Closing.

6.3 Termination of this Agreement by Buyer. Buyer may terminate this Agreement and the obligation to acquire the Assets and otherwise close the transactions that this Agreement contemplates at any time prior to the Closing if: (a) Franchisor terminates the Franchise Agreement before Closing; or (b) the conditions specified in Section 6.1 are not satisfied on or before _____, 20__.

6.4 Termination of this Agreement by Seller. Seller may terminate this Agreement and the obligation to sell the Assets and otherwise close the transactions that this Agreement contemplates at any time prior to the Closing if: (a) Franchisor terminates the Franchise Agreement before Closing because of a breach of Buyer's obligations under that agreement; or (b) the conditions specified in Section 6.2 are not satisfied on or before _____, 20__.

6.5 Frustration of Closing Conditions. No party may rely on the failure of any condition set forth in Section 6.1 or 6.2 (as applicable), whether as grounds for terminating this Agreement pursuant to Section 6.3 or 6.4 (as applicable) or for any other reason, if such failure was caused in whole or in part by such party's failure to comply with any provision of this Agreement.

ARTICLE VII

MISCELLANEOUS

7.1 **Assignment.** Neither this Agreement nor any of the rights or obligations hereunder may be assigned by Buyer without the prior written consent of Seller. After the Closing, Seller may assign any or all of its obligations under this Agreement (including, without limitation, to an affiliate). This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, and no other person shall have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

7.2 **Choice of Law.** This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of Illinois (without reference to its conflicts of law rules).

7.3 **Entire Agreement; Amendments and Waivers.** This Agreement, together with all other agreements referenced herein, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

7.4 **Limitation of Liability.** Seller's maximum aggregate liability to Buyer for any breaches of the representations, warranties and agreements contained in this Agreement shall not exceed the Purchase Price.

7.5 **Expenses.** Each party shall bear its own respective expenses incurred in the negotiation and consummation of the transactions this Agreement contemplates, including, without limitation, all legal fees.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Signing Date.

BUYER:

By: _____

Name: _____

Title: _____

SELLER:

a _____ limited liability
company

By: _____

Name: _____

Title: _____

EXHIBIT A

Assets

The following is a non-comprehensive list of the Assets to be sold to Buyer at the Closing:

EXHIBIT B

Store Services Contracts

The following are the Store Services Contracts, with the following parties, and are attached hereto.

EXHIBIT C

Punchlist

The following improvements and repairs comprise the Punchlist, which Seller agrees to complete to Buyer's reasonable satisfaction before the Closing (subject to Section 6.1(c)):

EXHIBIT D

Bill of Sale

THIS BILL OF SALE (the “**Agreement**”) is made and entered into as of _____, 20__ by and between **[Cleaners Depot affiliate for the CD Store]**, a _____ limited liability company (“**Seller**”), and _____, a _____ (“**Buyer**”).

RECITALS

A. Seller and Buyer are parties to that certain Asset Purchase Agreement dated as of _____, 20__ (the “**Purchase Agreement**”) (all terms which are capitalized and not defined herein shall have the respective meanings set forth in the Purchase Agreement).

B. Pursuant to Section 1.1 of the Purchase Agreement, Buyer has agreed to purchase from Seller, and Seller has agreed to sell to Buyer, all of Seller’s right, title and interest in and to the Assets, as provided herein.

AGREEMENT

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

1. **Purchase and Sale of Assets.** Pursuant to Section 1.1 of the Purchase Agreement, Seller hereby sells, conveys, transfers, assigns and delivers to Buyer, and Buyer hereby acquires from Seller, all of Seller’s right, title and interest in and to the following Assets, free and clear of all liens, claims or encumbrances:

- (a) all tangible assets owned by Seller that are present at the Business’ premises as of the Effective Time, which will include, without limitation, the equipment and smallwares listed on Exhibit A to the Purchase Agreement, together with all manufacturers’ warranties (to the extent assignable) with respect thereto;
 - (b) the Deliverable Supplies;
 - (c) the annual solvent license for the Business;
 - (d) the Store Services Contracts;
 - (e) the primary telephone number of the Business (to the extent assignable);
- and
- (f) the going concern value associated with the Business and the Assets.

Seller hereby delivers the Assets free and clear of all liens, claims or encumbrances. BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS SET FORTH IN ARTICLE III OF THE PURCHASE AGREEMENT, BUYER IS PURCHASING THE ASSETS FROM SELLER ON AN "AS IS" BASIS AND THAT SELLER IS MAKING NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ASSETS, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

2. **Enforcement.** The terms and conditions of Article VII of the Purchase Agreement are incorporated into this Agreement by this reference as if fully restated here. Except as expressly provided herein, to the extent there shall be any inconsistency or conflict between the terms hereof and the terms of the Purchase Agreement, the terms of the Purchase Agreement shall govern and supersede the terms hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Time.

BUYER:

By: _____

Name: _____

Title: _____

SELLER:

a _____ limited liability
company

By: _____

Name: _____

Title: _____

EXHIBIT E

Assumption Agreement

THIS ASSUMPTION AGREEMENT (the “**Agreement**”) is made and entered into as of _____, 20__ by and between [Cleaners Depot affiliate for the CD Store], a _____ limited liability company (“**Seller**”), and _____, a _____ (“**Buyer**”).

RECITALS

A. Seller and Buyer are parties to that certain Asset Purchase Agreement dated as of _____, 20__ (the “**Purchase Agreement**”) (all terms which are capitalized and not defined herein shall have the respective meanings set forth in the Purchase Agreement).

B. Pursuant to Section 1.3 of the Purchase Agreement, Buyer has agreed to assume certain obligations and liabilities of Seller, as provided herein.

AGREEMENT

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

1. **Assumption of Certain Liabilities.** Buyer hereby assumes and agrees to pay and perform when due (a) all obligations and liabilities that arise out of or relate to the Store Services Contracts after the Effective Time; and (b) the obligation to pay the purchase price for the Deliverable Supplies.

2. **No Assumption of Excluded Liabilities.** Buyer does not assume or take subject to any liabilities or obligations of Seller whatsoever which are not expressly listed in Section 1. Without limiting the generality of the foregoing, the Excluded Liabilities include: (a) all amounts owed to employees of the Business relating to the period before the Effective Time, including, without limitation, wages, benefits and vacation pay earned under the terms of Seller’s associate handbook as of the Effective Time and any Taxes arising from the operation of the Business before the Effective Time; (b) liabilities or obligations under the Prime Lease (subject to the Sublease); and (c) utility expenses (subject to Section 2.3 of the Purchase Agreement).

3. **Enforcement.** The terms and conditions of Article VII of the Purchase Agreement are incorporated into this Agreement by this reference as if fully restated here. Except as expressly provided herein, to the extent there shall be any inconsistency or conflict between the terms hereof and the terms of the Purchase Agreement, the terms of the Purchase Agreement shall govern and supersede the terms hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Time.

BUYER:

By: _____

Name: _____

Title: _____

SELLER:

a _____ limited liability
company

By: _____

Name: _____

Title: _____

EXHIBIT F

Sublease

EXHIBIT D

SUBLEASE

SUBLEASE

THIS SUBLEASE (the “**Sublease**”) is made and entered into as of the ____ day of _____, 20__, by and between **[Cleaners Depot affiliate for the CD Store]**, a _____ limited liability company (the “**Sublandlord**”) and _____, a _____ (the “**Subtenant**”).

THE PARTIES ENTER INTO THIS SUBLEASE BASED UPON THE FOLLOWING FACTS, UNDERSTANDINGS AND INTENTIONS:

A. Pursuant to that certain Lease dated _____ (the “**Prime Lease**”), a copy of which is attached hereto as **Exhibit A**, _____, (the “**Landlord**”), leased to Sublandlord those certain premises (the “**Premises**”) containing approximately _____ square feet in the building located at _____ (the “**Building**”), for a term ending on _____ (“**Prime Lease Expiration Date**”). The capitalized terms used in this Sublease shall have the meanings set forth in the Prime Lease (whether or not those terms are incorporated by reference into this Sublease), unless otherwise defined herein.

B. Subject to the consent of Landlord, Subtenant desires to sublease from Sublandlord, and Sublandlord desires to sublease to Subtenant, the Premises containing approximately _____ rentable square feet, all upon the terms and subject to the conditions and provisions hereinafter set forth.

C. Cleaners Depot Franchise, LLC, an affiliate of Sublandlord (the “**Franchisor**”), and Subtenant have executed that certain Franchise Agreement (the “**Franchise Agreement**”) of even date herewith pursuant to which Franchisor has granted to Sublessee the right to operate a store at the Premises that offers economically-priced, by-the-piece retail dry cleaning services (the “**Store**”).

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, Sublandlord and Subtenant hereby agree as follows:

1. **Demise; Use.** Sublandlord hereby subleases to Subtenant and Subtenant hereby subleases from Sublandlord the Premises for the term and rental and upon the other terms and conditions hereinafter set forth, to be used and occupied by Subtenant solely for the purpose of operating the Store pursuant to the terms of the Franchise Agreement and for no other purposes whatsoever.

2. **Term.** The term of this Sublease (the “**Sublease Term**”) shall commence on the date hereof (the “**Commencement Date**”) and shall end, unless sooner terminated, on the earlier of: (a) the date preceding the expiration or earlier termination of the Prime Lease or termination of Sublandlord’s right to possession of the Premises, or (b) the date that the Franchise Agreement terminates or expires (the “**Sublease Termination Date**”). Sublandlord shall deliver possession of the Premises to Subtenant on the Commencement Date in its existing “as is” condition and

Subtenant shall be responsible for all costs and work necessary to make the Premises ready for Subtenant's occupancy.

3. **Rent.**

(a) Commencing on the Commencement Date and thereafter during the Sublease Term, Subtenant shall pay to Sublandlord in advance monthly base, fixed or minimum rent ("**Sublease Base Rent**") for the Premises in the amount equal to (i) the amount of base rent required to be paid by Sublandlord pursuant to the Prime Lease, plus (ii) at Sublandlord's option, a lease administration fee of up to Five Hundred Dollars (\$500) per month. Each installment of Sublease Base Rent for any full or partial calendar month during the Sublease Term occurring after the calendar month in which the Commencement Date occurs shall be due and payable by Subtenant on or before the last Friday of the previous calendar month. If the Commencement Date occurs on a day other than the first day of a month, and/or the Sublease Term ends on a day other than the last day of a month, Sublease Base Rent and Additional Rent (defined below) for the first and last months of the Sublease Term shall be prorated.

(b) Subtenant shall also be obligated to pay to Sublandlord any percentage rent required to be paid under the Prime Lease, which percentage rent shall be payable in accordance with the terms of the Prime Lease.

(c) Subtenant shall be responsible for paying to Sublandlord as "**Additional Rent**" all of the charges required to be paid by Sublandlord under the Prime Lease, including, without limitation, taxes, insurance, deposits, common area maintenance or operating charges, association dues, utilities, merchants' association dues and construction charge backs. Such Additional Rent shall be payable by Subtenant to Sublandlord in advance on or before the last Friday of each month, with respect to charges payable under the Prime Lease during the succeeding month the amounts of which are certain as of such date, or within ten (10) days after Sublandlord's demand with respect to any other charges.

(d) Except as provided in this Sublease or as directed by Sublandlord, all Sublease Base Rent, percentage rent and Additional Rent shall be paid monthly in advance without notice, demand, abatement, setoff or deduction whatsoever by electronic funds transfer, preauthorized auto-draft arrangement ("**EFT**"), or such other method as Sublandlord shall specify from time to time. Subtenant shall execute the agreements and other documents that Sublandlord periodically specifies with respect to EFT or any other payment method.

(e) For purposes hereof, the Sublease Base Rent, the percentage rent and the Additional Rent described above shall sometimes be referred to collectively as "**Rent.**"

(f) Unless otherwise stated in the Prime Lease, any Rent which shall not be paid when due shall bear interest at the rate of eighteen percent (18%) per annum or the highest rate permissible by law, whichever is lower, from the date due until paid.

4. **Condition of Premises.**

(a) Subtenant acknowledges that Subtenant has conducted Subtenant's own investigations of the Premises and the physical condition thereof. Subtenant recognizes that Sublandlord would not sublease the Premises except on an "as is" basis and acknowledges that, except as set forth in this Sublease, Sublandlord has made no representations of any kind in connection with the Premises. Subtenant shall rely solely on Subtenant's own inspection and examination of such items and not on any representations of Sublandlord, express or implied. Subtenant hereby waives any claims against Sublandlord and Landlord relating to the physical condition of the Premises.

(b) Subtenant represents and warrants to Sublandlord that Subtenant has examined and inspected, and acknowledges that Subtenant is entering into this Sublease subject to, all matters with respect to taxes, bonds, permissible uses, the Prime Lease, zoning, covenants, conditions and restrictions and all other matters which in Subtenant's judgment bear upon the value and suitability of the Premises for Subtenant's purposes. Subtenant has and will rely solely on Subtenant's own inspection and examination of such items and not on any representations of Sublandlord, express or implied, except as to any representation set forth in this Sublease.

(c) Upon the Sublease Termination Date or termination of Sublandlord's right to possession of the Premises, Subtenant shall surrender the Premises in at least as good condition as at the Commencement Date, ordinary wear and tear, damage by fire or other casualty and taking by eminent domain excepted, and in the condition required by the Prime Lease.

5. **The Prime Lease.**

(a) This Sublease and all rights of Subtenant hereunder and with respect to the Premises are subject and subordinate to the terms, conditions, provisions and restrictions of the Prime Lease. Subtenant shall be bound by all of the terms, conditions, provisions and restrictions of the Prime Lease applicable to the Premises and responsible for performance thereof and compliance therewith, except as explicitly set forth herein. In addition, Subtenant acknowledges that upon a termination of the Prime Lease, this Sublease and Subtenant's rights in and to the Premises shall expire automatically. Except as otherwise set forth in this Sublease, the terms, conditions, provisions and restrictions of the Prime Lease are incorporated into this Sublease by reference and constitute additional terms and provisions of this Sublease. Subtenant hereby assumes and agrees to perform faithfully and be bound by all of Sublandlord's obligations, covenants, agreements and liabilities under the Prime Lease applicable to the Premises, and all terms and provisions thereof, except for the following provisions which are not incorporated into this Sublease by reference: _____.

(b) Without limitation of the foregoing (and notwithstanding anything to the contrary in any of the provisions of the Prime Lease which are incorporated herein by reference):

(i) Subtenant shall not make any alterations or additions, improvements or changes, or attach any fixtures or perform any work of any kind whatsoever, in and to the Premises (collectively, “**Alterations**”) without (A) Sublandlord’s prior written consent, not to be unreasonably withheld or delayed, (B) the prior written approval of Landlord, to the extent required under the Prime Lease, (C) complying with all of the provisions of the Prime Lease and the Franchise Agreement with respect to Alterations, (D) payment of all costs and expenses incurred by Sublandlord and Landlord in connection with the Alterations (including, without limitation, any administrative fee payable pursuant to the Prime Lease), (E) obtaining payment and performance bonds for the benefit of Sublandlord, in amounts satisfactory to Sublandlord, where the proposed alteration in question could reasonably be expected to cost in excess of \$5,000, and (F) obtaining Landlord’s written waiver of any obligation of Sublandlord and/or Subtenant to remove the Alterations at the expiration of the Prime Lease;

(ii) If Subtenant desires to take any other action and the Prime Lease would require that Sublandlord obtain the consent of Landlord before undertaking any action of the same kind, Subtenant shall not undertake the same without the prior written consent of both Sublandlord and Landlord. Sublandlord may condition its consent on the consent of Landlord being obtained (and may require Subtenant to contact Landlord directly for such consent) and/or on Subtenant’s agreeing to reasonably cooperate with Sublandlord in obtaining such consent; provided, however, that Sublandlord shall not be required to pay any out-of-pocket costs to any third parties in connection with such cooperation;

(iii) All rights given to Landlord and its agents and representatives under the Prime Lease to enter the Premises shall inure to the benefit of Sublandlord and its agents and representatives with respect to the Premises;

(iv) Sublandlord shall also have, with respect to the Premises, all other rights, and all privileges, options, reservations and remedies, granted or allowed to, or held by, Landlord, with respect to the Premises, under the Prime Lease;

(v) Subtenant shall maintain insurance of the kinds and in the amounts required to be maintained by Subtenant (as franchisee) under the Franchise Agreement and by Sublandlord under the Prime Lease. All policies of insurance to be maintained by Subtenant hereunder shall comply with the provisions of the Prime Lease and the provisions of the Franchise Agreement. All policies of liability insurance shall name as additional insureds the Landlord, Franchisor and Sublandlord and their respective officers, directors and owners, as the case may be, and the respective agents and employees of each of them and any other parties required to be so named under the Prime Lease. On or prior to the Commencement Date, Subtenant shall deliver to Sublandlord and Landlord certificates of insurance satisfactory to Sublandlord and Landlord evidencing the coverages required under the Prime Lease, and thirty (30) days prior to the

expiration of any such policies, Subtenant will provide Sublandlord and Landlord with evidence satisfactory to Sublandlord of the renewal thereof; and

(vi) Subtenant shall not do anything or suffer or permit anything to be done which could result in a default under the Prime Lease or permit the Prime Lease to be cancelled or terminated.

(c) Notwithstanding anything contained herein or in the Prime Lease which may appear to be to the contrary, Sublandlord and Subtenant hereby agree as follows:

(i) Subtenant shall not assign or transfer (as defined in Section 12.2 of the Franchise Agreement to include, without limitation, any sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any of the outstanding and issued stock or other ownership interest of Subtenant), mortgage, pledge or otherwise transfer this Sublease, nor sublet, or permit or suffer the Premises to be occupied by others, without Sublandlord's prior consent in each instance, which consent, in connection with an assignment or subletting, may be withheld in Sublandlord's sole discretion, and if given shall be subject to all of the terms and conditions of this Sublease, the Prime Lease and the Franchise Agreement and Subtenant's obtaining all consents required under the Prime Lease. Should Franchisor consent to the assignment of the Franchise Agreement in accordance with the terms of the Franchise Agreement, upon Sublandlord's request Subtenant shall assign this Sublease to the individual or entity to whom the Franchise Agreement was assigned;

(ii) Neither Rent nor other payments hereunder shall abate by reason of any damage to, destruction of or condemnation with respect to the Premises or the Store or any part thereof or as the result of any interruption in any services provided to the Premises;

(iii) Subtenant shall not have any right to any portion of the proceeds of any award for a condemnation or other taking, or a conveyance in lieu thereof, of all or any portion of the Store or the Premises, provided that Subtenant may, to the extent permitted under the Prime Lease, assert a separate claim for Subtenant's moving costs, equipment, merchandise and fixtures;

(iv) Subtenant shall not have any right to any portion of the allowances, credits or other amounts payable by Landlord under the Prime Lease, whether for leasehold improvements or otherwise;

(v) Subtenant shall not have any right to exercise or have Sublandlord exercise any option under the Prime Lease, including, without limitation, any option to extend the term of the Prime Lease or lease additional space;

(vi) As between Sublandlord and Subtenant, in the event of any conflict between the terms, conditions and provisions of the Prime Lease and of

this Sublease, the terms, conditions and provisions of this Sublease shall, in all instances, govern and control;

(vii) Subtenant shall not initially be required to pay Rent directly to Landlord, however, upon Sublandlord's written notice to Subtenant, Subtenant shall pay any or all Rent directly to Landlord in accordance with Sublandlord's instructions; and

(viii) Any provisions in the Prime Lease allowing or purporting to allow Sublandlord any rent concessions or abatements do not apply to this Sublease.

(d) It is expressly understood and agreed that notwithstanding the incorporation of certain terms and provisions of the Prime Lease into this Sublease by reference, Sublandlord does not assume and shall not have any of the obligations or liabilities of Landlord under the Prime Lease and that Sublandlord is not making the representations or warranties, if any, made by Landlord in the Prime Lease. With respect to work, services, repairs and restoration or the performance of other obligations required of Landlord under the Prime Lease, whether or not such provisions are incorporated into this Sublease by reference, Sublandlord's sole obligation with respect thereto shall be to request the same from Landlord, upon written request from Subtenant, and to use reasonable efforts to obtain the same from Landlord; provided, however, that Sublandlord shall not be required to commence litigation against Landlord with respect thereto. Sublandlord shall not be liable in damages, nor shall Rent abate hereunder, for or on account of any failure by Landlord to perform the obligations and duties imposed on it under the Prime Lease. Sublandlord shall not be required to pay the cost of or provide any improvements to the Premises.

(e) Sublandlord will, subject to Subtenant's compliance with the terms and conditions of this Sublease, maintain the Prime Lease in full force and effect during the Sublease Term and will not cause or knowingly allow to be caused any default by Sublandlord under the Prime Lease which shall remain uncured at the expiration of the applicable cure period set forth therein; provided, however, that nothing contained herein shall be deemed to be obligate Sublandlord to cure any default under the Prime Lease which was caused by any act or omission of Subtenant.

(f) Nothing contained in this Sublease shall be construed to create privity of estate or contract between Subtenant and Landlord, except the agreements of Subtenant in Section 7 and Section 8 hereof in favor of Landlord, and then only to the extent of the same.

(g) At any time during the Sublease Term, Sublandlord may (at its sole option) seek to assign the Prime Lease to Subtenant. Upon notice from Sublandlord, Subtenant shall (and shall cause its direct and indirect owners and their spouses to) sign such assignment and other documents and take such other actions as Sublandlord may reasonably request in connection with any such assignment, including, without limitation, providing financial statements, other information and guarantees from Subtenant and its

direct and indirect owners (and their spouses) to the Landlord in connection with Sublandlord's efforts to assign the Prime Lease, obtain a release of Sublandlord (and its affiliates, if applicable) from all liabilities and obligations arising under or relating to the Prime Lease (a "Prime Lease Release"), and obtain the Landlord's consent in connection therewith. If the Landlord consents to the assignment of the Prime Lease from Sublandlord to Subtenant but does not provide the Prime Lease Release, then at Sublandlord's option, and to compensate Sublandlord in part for its risk associated with its continuing liability under the Prime Lease, Subtenant shall pay to Sublandlord each month an amount equal to ten percent (10%) of the monthly base rent payable under the Prime Lease. Subtenant shall make such monthly payments to Sublandlord during the period beginning on the date of such assignment and ending on the date upon which Sublandlord receives the Prime Lease Release.

6. **Default by Subtenant.**

(a) In addition to any event or occurrence which constitutes an "event of default" under the terms of Section _____ of the Prime Lease (which have been incorporated into this Sublease by reference) or any other event which constitutes a default pursuant to this Sublease, if any other event occurs (after any applicable period of notice and cure) which involves Subtenant or the Premises and which would constitute an "event of default" under the Prime Lease if it involved Sublandlord or the Premises, such event shall, unless the same is caused by Sublandlord's fault, negligence or willful misconduct, constitute an "event of default" hereunder, and Sublandlord may exercise, without limitation of any other rights and remedies available to it hereunder or at law or in equity, any and all rights and remedies of Landlord set forth in the Prime Lease in the event of an "event of default" by Sublandlord thereunder. The following shall also constitute an "event of default" hereunder: (i) Subtenant abandons (as hereinafter described) the Premises, (ii) Subtenant breaches any other agreement between Subtenant and Sublandlord or any of its affiliates, including, without limitation, the Franchise Agreement, and Subtenant fails to cure such breach in the manner and within the time periods prescribed by such agreement, and (iii) Subtenant commits any other act or omission to act which gives the Franchisor the right to terminate the Franchise Agreement. Subtenant shall be deemed to have abandoned the Premises upon (a) Subtenant's failure, at any time during the Sublease Term, to keep the Store open and operating for business for a period of three (3) consecutive days, (b) Subtenant's failure to keep the Store open and operating for any period after which it is not unreasonable under the facts and circumstances for Sublandlord to conclude that Subtenant does not intend to continue to operate the Store, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Subtenant's control, (c) Subtenant's failure to actively and continuously maintain and answer Subtenant's telephone, or (d) any event or circumstance constituting "abandonment" under the terms of the Prime Lease.

(b) In addition to the rights and remedies of Sublandlord set forth in Section 6(a) above, in the event Subtenant fails or refuses to make any payment or perform any covenant or agreement to be performed hereunder by Subtenant, Sublandlord may make such payment or undertake to perform such covenant or

agreement (but shall not have any obligation to Subtenant to do so). In such event, amounts so paid and amounts expended in undertaking such performance, together with all costs, expenses and attorneys' fees incurred by Sublandlord in connection therewith, shall be Rent hereunder, and shall be immediately due and payable from Subtenant to Sublandlord.

7. **Waiver of Subrogation.** Anything in this Sublease to the contrary notwithstanding, Subtenant hereby waives any and all rights of recovery, claims, actions or causes of action against Sublandlord and Landlord and the officers, directors, owners, agents and employees of each of them, for any loss or damage that may occur to the Premises, the Store or any improvements thereto, or any personal property of any person therein or in the Store, by reason of fire, the elements or any other cause insured against under valid and collectible fire and extended coverage insurance policies, regardless of cause or origin, including (without limitation) negligence, except in any case which would render this waiver void under law, to the extent that such loss or damage is covered by, or required to be covered by, the insurance maintained or required to be maintained by Subtenant under this Sublease. In addition, the waiver set forth above, as it relates to Landlord, shall extend any and to all claims which Subtenant as the Tenant under the Prime Lease, has waived or released Landlord from pursuant to Section _____ of the Prime Lease.

8. **Waiver of Claims and Indemnity.**

(a) Subtenant hereby releases and waives any and all claims against Landlord and Sublandlord and each of their respective officers, directors, owners, agents and employees for injury or damage to person, property or business sustained in or about the Building, the Store or the Premises by Subtenant other than by reason of gross negligence or willful misconduct of Landlord or Sublandlord and except in any case which would render this release and waiver void under law.

(b) Subtenant agrees to indemnify, defend and hold harmless Sublandlord, Landlord and their respective officers, directors, owners, agents and employees, from and against any and all claims, demands, costs and expenses of every kind and nature, including (without limitation) attorneys' fees and litigation expenses, arising from Subtenant's use or occupancy of the Premises, or from any breach or default on the part of Subtenant in the performance of any agreement or covenant of Subtenant to be performed under this Sublease, or from any act or neglect of Subtenant or any of its agents, officers, employees, guests, servants, invitees or customers in or about the Premises or from any other act or omission of Subtenant or any other matter in any way related to the Premises or Subtenant's use or occupancy thereof, for which Sublandlord would be obligated to indemnify and save harmless Landlord from pursuant to Section ____ of the Prime Lease. In case any such proceeding is brought against any of said indemnified parties, Subtenant covenants, if requested by Sublandlord, to defend such proceeding at its sole cost and expense by legal counsel reasonably satisfactory to the indemnified party. Subtenant's obligations hereunder shall survive the expiration or earlier termination of this Sublease.

9. **Brokerage Commissions.** Each party hereby represents and warrants to the other that it has had no dealings with any real estate broker or agent in connection with this Sublease, excepting only _____, whose commission shall be paid by Sublandlord, and that it knows of no other real estate broker or agent who is or might be entitled to a commission in connection with this Sublease. Each party agrees to protect, defend, indemnify and hold the other harmless from and against any and all claims inconsistent with the foregoing representations and warranties for any brokerage, finder's or similar fee or commission in connection with this Sublease, if such claims are based on or relate to any act of the indemnifying party which is contrary to the foregoing representations and warranties.

10. **Notices.**

(a) In the event any notice from Landlord or otherwise relating to the Prime Lease is delivered to the Premises or is otherwise received by Subtenant, Subtenant shall, as soon thereafter as possible, but in any event within twenty-four (24) hours, deliver such notice to Sublandlord if such notice is written or advise Sublandlord thereof by telephone if such notice is oral.

(b) Notices and demands required or permitted under this Sublease shall be in writing and shall be personally delivered, mailed by certified mail, return receipt requested, or dispatched by overnight delivery service, to the respective parties at the following address unless and until a different address has been designated by written notice to the other party.

if to Sublandlord:

2205 Enterprise Drive
Suite 502
Westchester, Illinois 60154
Attention: Rafiq Karimi

with a copy to:

DLA Piper LLP (US)
444 West Lake St., Suite 900
Chicago, Illinois 60606
Attention: Richard J. Morey

if to Subtenant:

Attention: _____

with a copy to:

Attention: _____

(c) Notices shall be deemed to have been received as follows: at the time of delivery if personally delivered, on the next business day following the date on which the notice was given to the overnight delivery service if sent by overnight delivery service, and on the earlier of the actual date of delivery or three (3) days after the date of mailing if sent by certified mail.

11. **Attorneys' Fees.** In the event of any litigation or other dispute between Sublandlord and Subtenant, whether based on contract, tort or other cause of action or involving bankruptcy or similar proceedings, in any way related to this Sublease or the relationship of the parties hereto, the nonprevailing party shall pay to the prevailing party all reasonable attorneys' fees and costs and expenses of any type, without restriction by statute, court rule or otherwise, incurred by the prevailing party in connection with any action or proceeding (including litigation proceedings, any appeals and the enforcement of any judgment or award), whether or not the dispute is litigated or prosecuted to final judgment. The "prevailing party" shall be determined based upon an assessment of which party's major arguments or positions taken in the action or proceeding could fairly be said to have prevailed (whether by compromise, settlement, abandonment by other party of its claim or defense, final decision after any appeals, or otherwise) over the other party's major arguments or positions on major disputed issues. Any fees and cost incurred in enforcing a judgment shall be recoverable separately from any other amount included in the judgment and shall survive and not be merged in the judgment.

12. **Entire Agreement.** This Sublease, including the exhibits hereto, which are a part of this Sublease, and all other agreements referenced herein contain all of the covenants, conditions and agreements between the parties concerning the Premises, and shall supersede all prior correspondence, agreements, negotiations and understandings concerning the Premises, both oral and written. No addition or modification of any term or provision of this Sublease shall be effective unless set forth in writing and signed by Sublandlord and Subtenant, and, if required, consented to by Landlord. This Sublease shall be binding on, and inure to the benefit of, the parties and their respective successors and permitted assigns. Sublandlord may transfer or assign all or any part of its rights or obligations under this Sublease to any person or entity and may change its ownership or form without restriction.

13. **Signage.** Subtenant shall have the signage rights set forth in the Prime Lease.

14. **Security Deposit.** Upon Subtenant's execution and delivery of this Sublease, Subtenant shall deposit with Sublandlord \$_____ (the "**Security Deposit**") as security for the full and faithful performance of every provision of this Sublease to be performed by Subtenant. If Subtenant defaults with respect to any provision of this Sublease, including, but not limited to, the provisions relating to the payment of Rent, Sublandlord may use, apply or retain all or any part of said Security Deposit for the payment of any Rent and any other sum in default, or for the payment of any other reasonable amount which Sublandlord may spend or become obligated to spend by reason of Subtenant's default or to compensate Sublandlord for any other loss or damage which Sublandlord may suffer by reason of Subtenant's default. If any portion of the Security Deposit is so used or applied, Subtenant shall, within five (5) days after written demand therefor, deposit cash with Sublandlord in an amount sufficient to restore the Security Deposit to its original amount, and Subtenant's failure to do so shall be a material breach of this Sublease. Subtenant shall not be entitled to interest on any Security Deposit. If Subtenant shall fully and faithfully perform every provision of this Sublease to be performed by it, said Security Deposit or any balance thereof shall be returned to Subtenant (or, at Sublandlord's option, to the last assignee of Subtenant's interest hereunder) within thirty (30) days after the expiration of the term and Subtenant's vacation of the Premises. Nothing herein shall be construed to limit the amount of damages recoverable by Sublandlord or any other remedy to the Security Deposit.

15. **Holding Over.** If Subtenant holds over after the expiration or earlier termination of the Sublease Term or fails to deliver the Premises to Sublandlord in the condition required by the Prime Lease upon such termination, Subtenant shall be a tenant at sufferance only, and Subtenant shall pay to Sublandlord all amounts Sublandlord is required to pay Landlord under the Prime Lease as a result of the holding over and/or failure to deliver the Premises in the condition required, as and when such amounts are due and payable under the Prime Lease. In addition, Subtenant shall indemnify, defend, protect and hold harmless Sublandlord from and against any and all claims, liabilities, demands, losses, costs, expenses (including attorneys' fees and costs), damages and proceedings in any way arising out of or resulting from Subtenant's holding over and/or failure to deliver the Premises in the condition required by the Prime Lease on the expiration or earlier termination of the Sublease Term. Nothing contained herein shall be construed as consent by Sublandlord to any holding over. Subtenant's obligations hereunder shall survive the expiration or earlier termination of this Sublease.

16. **Guaranty.** If Subtenant is an entity other than an individual, simultaneously with Subtenant's execution of this Sublease, all holders of any direct or indirect ownership interest in Subtenant shall execute the form of Guaranty attached hereto as **Exhibit B**, pursuant to which such holder of ownership interest in Subtenant personally, irrevocably and unconditionally guarantees, jointly and severally, with all other guarantors, the full payment and performance of Subtenant's obligations hereunder.

17. **No Arbitration.** Sublandlord and Subtenant agree that the arbitration provisions of the Franchise Agreement shall not apply to any controversies, disputes or claims arising from or relating to this Sublease, the validity of any provision of this Sublease, or Sublandlord's (or any of its affiliates') relationship with Subtenant.

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sublease as of the date aforesaid.

SUBLANDLORD:

_____,
a _____ limited liability
company

By: _____
Print Name: _____
Its: _____

SUBTENANT:

_____ a _____

By: _____
Print Name: _____
Its: _____

EXHIBIT A
PRIME LEASE

(See Attached)

EXHIBIT B
FORM OF GUARANTY

THIS GUARANTY (the “**Guaranty**”) is made and entered into as of this ____ day of _____, 20__, by the undersigned (“**Guarantor**”) who, having received a copy of that certain Sublease of even date herewith (the “**Sublease**”), between _____, a _____ limited liability company (“**Sublandlord**”), and _____, a(n) _____ (“**Subtenant**”), for space at _____, has examined the Sublease and is familiar with all the terms, covenants and provisions contained therein, and as an inducement to Sublandlord to enter into the Sublease, does hereby absolutely, unconditionally and irrevocably guarantee to Sublandlord: (i) the full and prompt payment of all Rent and all other sums and charges payable by Subtenant under the Sublease; (ii) the full and timely performance and observance of all of the covenants, terms, conditions, and agreements therein provided to be performed and observed by Subtenant; (iii) the full and prompt payment of all costs, expenses and reasonable attorneys’ fees incurred by Sublandlord in enforcing the Sublease and/or this Guaranty; and (iv) the full and prompt payment to Sublandlord of the amount of any payments made to Sublandlord which are recovered from Sublandlord by a trustee, receiver or creditor of Guarantor or Subtenant pursuant to applicable law; and Guarantor hereby covenants and agrees to and with Sublandlord that if default shall at any time be made by Subtenant in the payment of any Rent or any other sum or charge payable by Subtenant under the Sublease, or if Subtenant should default in the performance and observance of any of the covenants, terms, conditions, or agreements contained in the Sublease, Guarantor will forthwith pay such Rent and such other sums and charges to Sublandlord, and any arrears thereof, and shall forthwith faithfully perform and fulfill all of such terms, covenants, conditions, and agreements.

Guarantor further agrees as follows:

1. This Guaranty is an absolute, unconditional and irrevocable guaranty of payment and of performance, and not of collection. It shall be enforceable against Guarantor without the necessity of any suit or proceedings on Sublandlord’s part of any kind or nature whatsoever against Subtenant and without the necessity of any notice of nonpayment, nonperformance or nonobservance or of any notice of acceptance of this Guaranty or of any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives; and Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected, diminished, or impaired by reason of the assertion or the failure to assert by Sublandlord against Subtenant, or against Subtenant’s successors and assigns, any of the rights or remedies reserved to Sublandlord pursuant to the provisions of the Sublease or by relief of Subtenant from any of Subtenant’s obligations under the Sublease or otherwise, including, without limitation, the rejection of the Sublease in connection with proceedings under the bankruptcy laws now or hereafter in effect.

2. The failure of Sublandlord to insist in any one or more instances upon strict performance or observance of any of the terms, provisions, or covenants of the Sublease or to exercise any right therein contained shall not be construed or deemed to be a waiver or relinquishment for the future of such term, provision, covenant or right, but the same shall continue and remain in full force and effect. Receipt by Sublandlord of Rent or other payments with knowledge of the breach of any provision of the Sublease shall not be deemed a waiver of such breach.

3. Guarantor's liability hereunder shall be primary, and in any right to action which shall accrue to Sublandlord under the Sublease, Sublandlord may, at its option, proceed against the undersigned and Subtenant, jointly and severally, and may proceed against the undersigned without having commenced any action or having obtained any judgment against Subtenant.

4. This Guaranty shall be a continuing guaranty and the liability of Guarantor hereunder shall in no way be affected, modified or diminished by reason of any assignment, renewal, modification, or extension of the Sublease or by reason of any modification or waiver of or change in any of the terms, covenants, conditions, or provisions of the Sublease, or by reason of any extension of time that may be granted by Sublandlord to Subtenant, or a changed or different use of the Premises, or by reason of any dealings or transactions or matters or things occurring between Sublandlord and Subtenant, whether or not notice thereof is given to Guarantor.

5. Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Subtenant arising as a result of Guarantor's execution of and performance under this Guaranty, for the express purpose that Guarantor shall not be deemed a "creditor" of Subtenant under any applicable bankruptcy law with respect to Subtenant's obligations to Sublandlord; (ii) all rights to require Sublandlord to proceed against Subtenant for any payment required under the Sublease, proceed against or exhaust any security from Subtenant, take any action to assist Guarantor in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Subtenant; (iii) any benefit of, and any right to participate in, any security now or hereafter held by Sublandlord; and (iv) acceptance and notice of acceptance by Sublandlord of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled. Sublandlord shall have no present or future duty or obligation to Guarantor under this Guaranty, and Guarantor waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Subtenant, any other guarantor, or any collateral securing any obligations of Subtenant to Sublandlord. Without affecting the obligations of Guarantor under this Guaranty, Sublandlord may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Sublease or any indebtedness or obligation of Subtenant, or settle, adjust, release, or compromise any claims against Subtenant or any other guarantor, make advances for the purpose of performing any obligations of Subtenant

under the Sublease, assign the Sublease or the right to receive any sum payable under the Sublease, and Guarantor hereby jointly and severally waives notice of same. Guarantor expressly acknowledges that the obligations hereunder survive the expiration or termination of the Sublease.

In addition, Guarantor waives any defense arising by reason of any of the following: (a) any disability or any counterclaim or right of set-off or other defense of Subtenant, (b) any lack of authority of Subtenant with respect to the Sublease, (c) the cessation from any cause whatsoever of the liability of Subtenant, (d) any circumstance whereby the Sublease shall be void or voidable as against Subtenant or any of Subtenant's creditors, including a trustee in bankruptcy of Subtenant, by reason of any fact or circumstance, (e) any event or circumstance that might otherwise constitute a legal or equitable discharge of Guarantor's obligations hereunder, except that the undersigned do not waive any defense arising from the due performance by Subtenant of the terms and conditions of the Sublease, (f) any right or claim of right to cause a marshaling of the assets of Subtenant or any other guarantor, and (g) any act or omission of Subtenant.

6. All actions or proceedings arising directly or indirectly hereunder may, at the option of Sublandlord, be litigated in courts having situs within the State of Illinois and Guarantor hereby expressly consents to the jurisdiction of any local, state or federal court located within the State of Illinois and consents that any service of process in such action or proceeding may be made by personal service upon any Guarantor wherever Guarantor may then be located or by certified or registered mail to Guarantor at the address specified below Guarantor's signature. **GUARANTOR IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, RELATING TO THIS GUARANTY.**

7. Upon the filing of a petition under any section or chapter of Title 11 of the United States Code or under any similar federal or state bankruptcy law or statute by or against Guarantor (said included bankruptcy filing as aforesaid is hereinafter referred to as the **"Bankruptcy Filing"**), any automatic stay or other injunction against Sublandlord resulting from the Bankruptcy Filing shall be immediately and automatically modified and terminated with respect to Sublandlord, without further notice, hearing or said order of court, so that Sublandlord may proceed to exercise its rights and remedies against any property pledged to Sublandlord to secure the Sublease in accordance with applicable law as if no such filing had taken place. Guarantor will not contest (i) any motion or application of Sublandlord made in any court of competent jurisdiction seeking enforcement of this paragraph or otherwise seeking modification or termination of such automatic stay or other injunction in a manner consistent herewith, or (ii) any motion or application of Sublandlord made in any court of competent jurisdiction seeking the appointment of a receiver after the Bankruptcy Filing. Guarantor acknowledges and agrees that Sublandlord is specifically relying upon the covenants and agreements of Guarantor contained in this paragraph and that such covenants and agreements constitute a material inducement to Sublandlord's entering into the Sublease.

8. All of Sublandlord's rights and remedies under the Sublease or under this Guaranty are intended to be distinct, separate and cumulative and no such right or remedy therein or herein mentioned is intended to be in exclusion of or a waiver of any of the others.

9. Notice of acceptance of this Guaranty and any obligations or liabilities contracted or incurred by Subtenant are all hereby waived by Guarantor.

10. This Guaranty shall be governed by and construed in accordance with the laws of the State of Illinois, without regard to its conflicts of laws rules.

11. All of the provisions of this Guaranty shall inure to the benefit of Sublandlord and its grantees, successors and assigns and shall inure to the benefit of any future owner of the fee title of which the Premises are a part, and all the provisions of this Guaranty shall be binding upon Guarantor and its heirs, legal representatives, successors, and assigns.

12. If Guarantor consists of more than one person or entity, each person or entity comprising Guarantor shall be jointly and severally liable with every other person or entity comprising Guarantor. The death, resignation or withdrawal of any Guarantor from any partnership, association, corporation or other entity comprising Subtenant shall not release the liability of any other Guarantor unless and until Sublandlord shall have consented in writing to such release.

14. Initially capitalized terms used but not otherwise defined herein have the same meanings given them in the Sublease.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the date first above written.

GUARANTOR:

Signature:_____

Print Name:_____

Address:_____

EXHIBIT A
PRIME LEASE

(See Attached)

EXHIBIT B
FORM OF GUARANTY

THIS GUARANTY (the “**Guaranty**”) is made and entered into as of this ____ day of _____, 20__, by the undersigned (“**Guarantor**”) who, having received a copy of that certain Sublease of even date herewith (the “**Sublease**”), between _____, a _____ limited liability company (“**Sublandlord**”), and _____, a(n) _____ (“**Subtenant**”), for space at _____, has examined the Sublease and is familiar with all the terms, covenants and provisions contained therein, and as an inducement to Sublandlord to enter into the Sublease, does hereby absolutely, unconditionally and irrevocably guarantee to Sublandlord: (i) the full and prompt payment of all Rent and all other sums and charges payable by Subtenant under the Sublease; (ii) the full and timely performance and observance of all of the covenants, terms, conditions, and agreements therein provided to be performed and observed by Subtenant; (iii) the full and prompt payment of all costs, expenses and reasonable attorneys’ fees incurred by Sublandlord in enforcing the Sublease and/or this Guaranty; and (iv) the full and prompt payment to Sublandlord of the amount of any payments made to Sublandlord which are recovered from Sublandlord by a trustee, receiver or creditor of Guarantor or Subtenant pursuant to applicable law; and Guarantor hereby covenants and agrees to and with Sublandlord that if default shall at any time be made by Subtenant in the payment of any Rent or any other sum or charge payable by Subtenant under the Sublease, or if Subtenant should default in the performance and observance of any of the covenants, terms, conditions, or agreements contained in the Sublease, Guarantor will forthwith pay such Rent and such other sums and charges to Sublandlord, and any arrears thereof, and shall forthwith faithfully perform and fulfill all of such terms, covenants, conditions, and agreements.

Guarantor further agrees as follows:

1. This Guaranty is an absolute, unconditional and irrevocable guaranty of payment and of performance, and not of collection. It shall be enforceable against Guarantor without the necessity of any suit or proceedings on Sublandlord’s part of any kind or nature whatsoever against Subtenant and without the necessity of any notice of nonpayment, nonperformance or nonobservance or of any notice of acceptance of this Guaranty or of any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives; and Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected, diminished, or impaired by reason of the assertion or the failure to assert by Sublandlord against Subtenant, or against Subtenant’s successors and assigns, any of the rights or remedies reserved to Sublandlord pursuant to the provisions of the Sublease or by relief of Subtenant from any of Subtenant’s obligations under the Sublease or otherwise, including, without limitation, the rejection of the Sublease in connection with proceedings under the bankruptcy laws now or hereafter in effect.

2. The failure of Sublandlord to insist in any one or more instances upon strict performance or observance of any of the terms, provisions, or covenants of the Sublease or to exercise any right therein contained shall not be construed or deemed to be a waiver or relinquishment for the future of such term, provision, covenant or right, but the same shall continue and remain in full force and effect. Receipt by Sublandlord of Rent or other payments with knowledge of the breach of any provision of the Sublease shall not be deemed a waiver of such breach.

3. Guarantor's liability hereunder shall be primary, and in any right to action which shall accrue to Sublandlord under the Sublease, Sublandlord may, at its option, proceed against the undersigned and Subtenant, jointly and severally, and may proceed against the undersigned without having commenced any action or having obtained any judgment against Subtenant.

4. This Guaranty shall be a continuing guaranty and the liability of Guarantor hereunder shall in no way be affected, modified or diminished by reason of any assignment, renewal, modification, or extension of the Sublease or by reason of any modification or waiver of or change in any of the terms, covenants, conditions, or provisions of the Sublease, or by reason of any extension of time that may be granted by Sublandlord to Subtenant, or a changed or different use of the Premises, or by reason of any dealings or transactions or matters or things occurring between Sublandlord and Subtenant, whether or not notice thereof is given to Guarantor.

5. Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Subtenant arising as a result of Guarantor's execution of and performance under this Guaranty, for the express purpose that Guarantor shall not be deemed a "creditor" of Subtenant under any applicable bankruptcy law with respect to Subtenant's obligations to Sublandlord; (ii) all rights to require Sublandlord to proceed against Subtenant for any payment required under the Sublease, proceed against or exhaust any security from Subtenant, take any action to assist Guarantor in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Subtenant; (iii) any benefit of, and any right to participate in, any security now or hereafter held by Sublandlord; and (iv) acceptance and notice of acceptance by Sublandlord of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled. Sublandlord shall have no present or future duty or obligation to Guarantor under this Guaranty, and Guarantor waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Subtenant, any other guarantor, or any collateral securing any obligations of Subtenant to Sublandlord. Without affecting the obligations of Guarantor under this Guaranty, Sublandlord may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Sublease or any indebtedness or obligation of Subtenant, or settle, adjust, release, or compromise any claims against Subtenant or any other guarantor, make advances for the purpose of performing any obligations of Subtenant

under the Sublease, assign the Sublease or the right to receive any sum payable under the Sublease, and Guarantor hereby jointly and severally waives notice of same. Guarantor expressly acknowledges that the obligations hereunder survive the expiration or termination of the Sublease.

In addition, Guarantor waives any defense arising by reason of any of the following: (a) any disability or any counterclaim or right of set-off or other defense of Subtenant, (b) any lack of authority of Subtenant with respect to the Sublease, (c) the cessation from any cause whatsoever of the liability of Subtenant, (d) any circumstance whereby the Sublease shall be void or voidable as against Subtenant or any of Subtenant's creditors, including a trustee in bankruptcy of Subtenant, by reason of any fact or circumstance, (e) any event or circumstance that might otherwise constitute a legal or equitable discharge of Guarantor's obligations hereunder, except that the undersigned do not waive any defense arising from the due performance by Subtenant of the terms and conditions of the Sublease, (f) any right or claim of right to cause a marshaling of the assets of Subtenant or any other guarantor, and (g) any act or omission of Subtenant.

6. All actions or proceedings arising directly or indirectly hereunder may, at the option of Sublandlord, be litigated in courts having situs within the State of Illinois and Guarantor hereby expressly consents to the jurisdiction of any local, state or federal court located within the State of Illinois and consents that any service of process in such action or proceeding may be made by personal service upon any Guarantor wherever Guarantor may then be located or by certified or registered mail to Guarantor at the address specified below Guarantor's signature. **GUARANTOR IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, RELATING TO THIS GUARANTY.**

7. Upon the filing of a petition under any section or chapter of Title 11 of the United States Code or under any similar federal or state bankruptcy law or statute by or against Guarantor (said included bankruptcy filing as aforesaid is hereinafter referred to as the **"Bankruptcy Filing"**), any automatic stay or other injunction against Sublandlord resulting from the Bankruptcy Filing shall be immediately and automatically modified and terminated with respect to Sublandlord, without further notice, hearing or said order of court, so that Sublandlord may proceed to exercise its rights and remedies against any property pledged to Sublandlord to secure the Sublease in accordance with applicable law as if no such filing had taken place. Guarantor will not contest (i) any motion or application of Sublandlord made in any court of competent jurisdiction seeking enforcement of this paragraph or otherwise seeking modification or termination of such automatic stay or other injunction in a manner consistent herewith, or (ii) any motion or application of Sublandlord made in any court of competent jurisdiction seeking the appointment of a receiver after the Bankruptcy Filing. Guarantor acknowledges and agrees that Sublandlord is specifically relying upon the covenants and agreements of Guarantor contained in this paragraph and that such covenants and agreements constitute a material inducement to Sublandlord's entering into the Sublease.

8. All of Sublandlord's rights and remedies under the Sublease or under this Guaranty are intended to be distinct, separate and cumulative and no such right or remedy therein or herein mentioned is intended to be in exclusion of or a waiver of any of the others.

9. Notice of acceptance of this Guaranty and any obligations or liabilities contracted or incurred by Subtenant are all hereby waived by Guarantor.

10. This Guaranty shall be governed by and construed in accordance with the laws of the State of Illinois, without regard to its conflicts of laws rules.

11. All of the provisions of this Guaranty shall inure to the benefit of Sublandlord and its grantees, successors and assigns and shall inure to the benefit of any future owner of the fee title of which the Premises are a part, and all the provisions of this Guaranty shall be binding upon Guarantor and its heirs, legal representatives, successors, and assigns.

12. If Guarantor consists of more than one person or entity, each person or entity comprising Guarantor shall be jointly and severally liable with every other person or entity comprising Guarantor. The death, resignation or withdrawal of any Guarantor from any partnership, association, corporation or other entity comprising Subtenant shall not release the liability of any other Guarantor unless and until Sublandlord shall have consented in writing to such release.

14. Initially capitalized terms used but not otherwise defined herein have the same meanings given them in the Sublease.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the date first above written.

GUARANTOR:

Signature:_____

Print Name:_____

Address:_____

EXHIBIT E
FINANCIAL STATEMENTS



**AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cleaners Depot Franchise, LLC
Audit Report
For the Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Members
Cleaners Depot Franchise, LLC
Westchester, Illinois

We have audited the accompanying financial statements of **Cleaners Depot Franchise, LLC** which comprise the balance sheet as of December 31, 2021, and December 25, 2020, and the related statements of members' equity, income, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Cleaners Depot Franchise, LLC** as of December 31, 2021, and December 25, 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Cleaners Depot Franchise, LLC** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company has elected to change its method of accounting for pre-opening services provided to a franchisee in 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (cont'd)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cleaners Depot Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cleaners Depot Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cleaners Depot Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Selden Fox, Ltd.

April 21, 2022

Cleaners Depot Franchise, LLC
Balance Sheet

	December 31, 2021	December 25, 2020 (As adjusted)
Assets		
Current assets:		
Cash	\$ 2,160,653	\$ 175,496
Restricted cash	118,447	60,829
Investments	271,418	-
Royalty and marketing fees receivable	115,005	86,057
Other receivables	17,467	-
Prepaid expenses	5,161	5,502
Total current assets	2,688,151	327,884
Property and equipment at cost, less accumulated accumulated depreciation and amortization of \$118,494 at December 31, 2021 (\$114,105 at December 25, 2020)	15,258	21,581
Security deposits	9,500	9,500
Total assets	\$ 2,712,909	\$ 358,965
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$ 25,653	\$ 3,783
Accrued payroll and paid time off	15,511	-
Accrued royalty rebate	172,659	112,129
Line of credit	100,000	100,000
Franchise fee deposits	2,000	-
Deferred rent	6,340	29,736
Total current liabilities	322,163	245,648
Long-term liabilities:		
Loans payable	1,999,900	-
Total long-term liabilities	1,999,900	-
Total liabilities	2,322,063	245,648
Members' equity	390,846	113,317
Total liabilities and members' equity	\$ 2,712,909	\$ 358,965

See accompanying notes.

Cleaners Depot Franchise, LLC
Statement of Members' Equity

Members' equity at December 27, 2019, as adjusted	\$ 752,559
Capital contributed	-
Capital withdrawals	(400,000)
Net loss	<u>(239,242)</u>
Members' equity at December 25, 2020, as adjusted	113,317
Capital contributed	-
Capital withdrawals	(500,000)
Net income	767,763
Other comprehensive income - unrealized gain	<u>9,766</u>
Members' equity at December 31, 2021	<u>\$ 390,846</u>

See accompanying notes.

Cleaners Depot Franchise, LLC

Statement of Income

	For the Year Ended December 31, 2021	For the Year Ended December 25, 2020 (As adjusted)
Revenues:		
Royalty/license fees	\$ 1,730,676	\$ 1,272,638
Marketing fund fees	965,268	690,586
Franchise fees	5,000	32,500
Gain on extinguishment of Paycheck Protection Program loan	143,117	190,026
Economic injury disaster grant	89,203	9,000
Investment income	4,507	39
Total revenues	2,937,771	2,194,789
Expenses:		
Accounting and tax fees	16,384	22,436
Auto expenses	5,284	7,305
Administrative charge	319,400	435,900
Business meals and entertainment	2,738	3,938
Company events	6,728	-
Computer hardware/software	39,113	37,662
Depreciation and amortization	6,323	10,445
Dues and subscriptions	2,979	2,697
Insurance	59,718	75,150
Leased equipment	9,535	9,303
Legal fees	25,284	45,790
Licenses, permits and fees	1,769	1,254
Marketing	594	2,376
Marketing fund expenses	956,552	920,017
Meetings and conventions	9,604	4,459
Miscellaneous	14,465	21,797
Office supplies	3,739	5,560
Other professional fees	80,150	120,991
Payroll	456,964	544,009
Postage	1,885	2,914
Recruiting	9,736	8,292
Rent and utilities	106,079	94,808
Retirement plan contribution	9,599	7,962
Security	1,214	1,149
Supplies - store purchases	331	16,207
Telephone	8,852	12,848
Training	5,588	5,896
Travel	9,401	12,866
Total expenses	2,170,008	2,434,031
Net income (loss)	\$ 767,763	\$ (239,242)

See accompanying notes.

Cleaners Depot Franchise, LLC
Statement of Cash Flows

	For the Year Ended December 31, 2021	For the Year Ended December 25, 2020
Cash flows from operating activities:		
Net income (loss)	\$ 767,763	\$ (239,242)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	6,323	10,445
Gain on extinguishment of Paycheck Protection Program loan	(143,117)	(190,026)
Changes in certain assets and liabilities:		
Receivables	(46,415)	(86,057)
Prepaid expenses	341	3,683
Prepaid/deferred rent	(23,396)	33,252
Accounts payable	21,870	(12,410)
Accrued payroll	15,511	(4,106)
Accrued royalty rebate	60,530	(87,832)
Franchise fee deposits	2,000	-
Net cash from operating activities	661,410	(572,293)
Cash flows from investing activities:		
Purchase of property and equipment	-	(16,705)
Purchase of investments	(261,652)	-
Net cash from investing activities	(261,652)	(16,705)
Cash flows from financing activities:		
Borrowings on line of credit	-	100,000
Loan proceeds	1,999,900	-
Proceeds from Paycheck Protection Program loan	143,117	190,026
Member withdrawals	(500,000)	(400,000)
Net cash from financing activities	1,643,017	(109,974)
Net change in cash	2,042,775	(698,972)
Cash, beginning of the year	236,325	935,297
Cash, end of the year	\$ 2,279,100	\$ 236,325
Balance sheet classification:		
Cash	\$ 2,160,653	\$ 175,496
Restricted cash	118,447	60,829
	\$ 2,279,100	\$ 236,325
Supplemental disclosure of noncash financing activities:		
Extinguishment of Paycheck Protection Program loan	\$ 143,117	\$ 190,026

See accompanying notes.

Cleaners Depot Franchise, LLC Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Fiscal Year – The Company’s fiscal year ends on the last Friday in December. Fiscal year 2021 contained fifty-three weeks and fiscal year 2020 contained fifty-two weeks.

Description of Business – Cleaners Depot Franchise, LLC (a Nevada Limited Liability Company) is engaged in the franchising of an innovative dry cleaning and laundry “superstore” concept, where all garments are dry cleaned for one low price with same-day service at no extra charge. The stores, which operate under the trade name CD One Price Cleaners, offer a bright, clean, inviting retail environment with an open view of the plant-on-premise production area.

Additionally, the Company provides management and administrative support to affiliated entities involved in the operation, support and development of CD One Price Cleaners locations.

As of December 31, 2021, the Company had 37 locations open in the United States, consisting of 36 franchise locations and 1 affiliate-owned or managed location.

Pervasiveness of Estimates – The preparation of financial statements in accordance 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, liabilities, and operations at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Cash – Cash consists of bank deposits in federally insured accounts. On December 31, 2021, the deposits in excess of federally insured limits totaled \$1,948,687.

Receivables – Receivables consist primarily of amounts due from franchisees for royalty payments, as the Company allowed franchisees the option to defer payment of weekly royalty fees beginning with the week ended July 31, 2020. The Company does not charge interest or late fees on amounts past due. The Company has not established an allowance for doubtful accounts, as management’s periodic evaluation of the receivables has not identified any potentially uncollectible amounts at December 31, 2021 and December 25, 2020. This evaluation of the collectability of receivables is based on known and inherent risks in the accounts, adverse situations that may affect the franchisee’s ability to repay, and current economic conditions. Accounts deemed uncollectible are charged to expense. Amounts due over 90 days totaled \$70,954 at December 31, 2021 (\$36,906 at December 25, 2020).

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Property and Equipment – Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful life. Estimated lives are as follows:

Office furniture	7 years
Computer equipment	3 – 5 years
Computer software	5 years
Leasehold improvements	10 years

Paycheck Protection Program Loan – In April of 2020, the Company received \$188,852 of proceeds in the form of a potentially forgivable loan under the CARES Act's Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Association (SBA). The Company has elected to account for its potentially forgivable Paycheck Protection Program loan payable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470, *Debt*. Under this guidance, extinguishment of the loan would be recognized when the Company has been legally released as the primary obligor of the loan. This would occur if and when the United States Small Business Administration approves the Company's forgiveness application. The Company received notification on December 16, 2020, that their application for forgiveness has been approved, at which time the loan was extinguished, and the Company recognized the entire amount as gain on extinguishment of the Paycheck Protection Program loan on the statement of income for the year ended December 25, 2020.

In January of 2021, the Company received \$142,311 of proceeds in the form of a second potentially forgivable loan under the CARES Act's Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Association (SBA), with the same terms as the first PPP loan. The Company received notification on August 20, 2021, that their application for forgiveness on the second PPP loan has been approved, at which time the loan was extinguished and the Company recognized the entire amount, including accrued interest of \$806, as gain on extinguishment of the Paycheck Protection Program loan on the statement of income for the year ended December 31, 2021.

Revenue Recognition – The principal source of revenues are the ongoing royalty/license fees, which are a percentage of revenues of each franchised entity. The Company recognizes royalty/license fee revenues as and when the underlying sales occur. The Company also receives non-refundable initial franchise fees, which are recognized as revenues at a point in time when all material services or conditions have been substantially performed. This occurs when a franchised entity opens for business or when a franchise agreement is terminated after it has been determined that the franchised entity will not open.

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Revenue Recognition (cont'd)

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to operate a store. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that agreements will not be canceled, renewed; or modified. The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties, as the transaction price is based on the franchisees sales. The variable consideration is recognized based on the actual amounts incurred each month.

Accounts receivable and deferred revenue at December 31, affecting the cash flow of these revenue sources consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable—contract revenue	<u>\$ 115,005</u>	<u>\$ 86,057</u>	<u>\$ -</u>
Deferred revenue (for recognition the following year):			
Initial franchise fees	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>

The Company's franchise agreements also require the payment of marketing fees, which are intended to reimburse the Company for expenses associated with advertising and marketing programs. Marketing fund fees, which are a percentage of revenues of each franchised entity, are recognized as revenue when the underlying sales occur.

Marketing Fund – The Company administers a marketing fund on behalf of the franchise and affiliate-owned locations to develop and execute advertising and sales promotion programs. Each location is required to contribute the amount that the Company periodically specifies, not to exceed three percent (3%) of revenue. The Company has the right at any time to terminate the marketing fund upon written notice. All unspent monies on the date of the termination shall be distributed to franchise and affiliate-owned locations in proportion to their respective contributions to the marketing fund during the preceding twelve-month period. For each of the twelve months during fiscal 2021 and 2020, the required contribution rate was three percent (3%).

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Marketing Fund (cont'd)

The following table summarizes the monies collected and the costs incurred by the marketing fund for the twelve months ended December 31, 2021, and December 25, 2020.

	<u>2021</u>	<u>2020</u>
Balance in fund at beginning of the year	\$ (78,676)	\$ 150,755
Marketing fund fees	965,268	690,586
Marketing and advertising expenses	<u>956,552</u>	<u>920,017</u>
Balance (deficit) in fund at end of the year	<u>\$ (69,960)</u>	<u>\$ (78,676)</u>

The Company expenses advertising costs as incurred.

Adoption of New Accounting Pronouncement – As of December 26, 2020, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2021-02, *Franchisors - Revenue from Contracts with Customers (Sub Topic 952-606) Practical Expedient*. The ASU provides a practical expedient related to FASB Accounting Standards Codification (FASB ASC 606) *Revenue from Contracts with Customers*, that permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list including assistance in the selection of a site, training of the franchisee's personnel or the franchisee, preparation and distribution of manuals and similar material concerning operations, administration, and record keeping, inspection testing, and other quality control programs. Additionally, amendments in ASU 2021-02 permit franchisors to make an accounting policy election to recognize the pre-opening services as a single performance obligation.

Prior to the adoption of ASU 2021-02, the Company did not treat pre-opening activities as a separate performance obligation and recognized initial fee revenue over the term of the respective franchise agreement beginning on the date the store is opened. As prescribed by ASU 2021-02, the Company applied this guidance retrospectively to the date FASB ASC 606 was adopted.

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Adoption of New Accounting Pronouncement (cont'd)

The following financial statement line items for the year ended December 25, 2020 were affected by the change in accounting policy elections:

	As Previously Reported	As Adjusted	Effect of Change
Statement of Income:			
Franchise fee revenue	\$ 47,417	\$ 32,500	\$ (14,917)
Total revenues	2,209,706	2,194,789	(14,917)
Net income (loss)	(224,325)	(239,242)	(14,917)
Balance Sheet:			
Deferred franchise fees, current	43,167	-	(43,167)
Deferred franchise fees, long-term	145,332	-	(145,332)
Total liabilities	434,147	245,648	(188,499)
Members' equity (deficit)	(75,182)	113,317	188,499
Statement of Members' Equity:			
Members' equity at December 27, 2019	549,143	752,559	203,416

Income Taxes – The Company is taxed as a partnership for federal income tax purposes. The income and expenses of the Company pass through and are taxable to the members of the Company. Therefore, no provision for federal income taxes has been made in the accompanying financial statements. The Company's federal and Illinois tax returns for the fiscal years ended 2018, 2019, and 2020, remain subject to examination.

Subsequent Events – Subsequent events have been evaluated through April 21, 2022, which is the date the financial statements were available to be issued.

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

2. Property and Equipment

Property and equipment at December 31, 2021, and December 25, 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Office furniture	\$ 66,764	\$ 66,764
Computer equipment	45,896	47,830
Computer software	3,586	3,586
Leasehold improvements	<u>17,506</u>	<u>17,506</u>
Total cost	133,752	135,686
Less accumulated depreciation and amortization	<u>118,494</u>	<u>114,105</u>
	<u>\$ 15,258</u>	<u>\$ 21,581</u>

Depreciation and amortization expense totaled \$6,323 for the year ended December 31, 2021 (\$10,445 in 2020).

3. Line of Credit

The Company entered into a \$1,300,000 line of credit agreement dated August 18, 2020, and maturing August 18, 2021. The line of credit agreement was renewed for \$1,000,000 on August 18, 2021, through August 18, 2022. Interest is due and payable monthly at 3.25% beginning September 18, 2020. The Company borrowed \$100,000 in December 2020 and the balance outstanding on December 31, 2021, is \$100,000. The line of credit is being used to offset the deficit in the marketing fund.

4. Notes Payable

The Company entered into a \$499,900 installment note payable with the United States Small Business Administration dated October 29, 2021, and subsequently modified to borrow an additional \$1,500,000 on November 14, 2021. The combined notes are to be repaid in monthly installments of \$9,737, including interest at 3.75% per annum, commencing twenty four months from the date of the original note. Future maturities of the notes payable are as follows:

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

4. Notes Payable (cont'd)

Year Ended December 31,	Amount
2022	\$ -
2023	16,783
2024	43,215
2025	44,864
2026	46,575
Thereafter	1,848,463
	<u>\$ 1,999,900</u>

5. Royalty Rebates

The Company issues a royalty rebate of 1% of revenue to those franchisees in compliance with the franchise agreement. Eligibility for the rebate is determined semiannually at June 30 and at year end. Franchises meeting the eligibility criteria begin receiving their rebates in the form of credits applied against royalty payments due starting on September 1 and March 1, respectively. During the year ended December 31, 2021, the Company issued royalty rebates of \$291,812 (\$221,573 in fiscal 2020), which are netted against royalty/license fees revenue in the statements of income. Rebates earned but not yet credited to the franchisees totaled \$172,659 at December 31, 2021 (\$112,129 at December 25, 2020).

6. Commitments and Contingencies

Operating Leases – The Company had entered into a lease for office space dated October 20, 2006, and took occupancy March 2, 2007. The term of that lease was first extended to July 31, 2012, and then again on April 15, 2011, modifying the monthly base rent and extending the lease to July 31, 2015. On March 2, 2015, a third amendment modified the base rent and extended the lease to July 31, 2020. On October 1, 2019, a fourth amendment extended the lease to September 30, 2022, with an option to extend again to September 30, 2024. This amendment also included an abatement of rent originally scheduled for the months of August and September 2020.

In addition, the Company leases certain office equipment with monthly payments ranging from \$89 to \$956, and lease terms expiring at various times through December 25, 2022. The Company is committed to make the following minimum annual rental payments:

2022	<u>\$ 80,298</u>
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Rental expense for all operating leases was \$108,584 for the year ended December 31, 2021 (\$107,165 in 2020).

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

6. Commitments and Contingencies (cont'd)

Covid Pandemic – As a result of the spread of the COVID-19 coronavirus, there are economic uncertainties that exist which could have a negative financial impact on the Company, including the potential for reductions in future royalty and marketing fund revenue, and collection of accounts receivable. The full potential impact is unknown at this time. Management is monitoring the situation and will adjust expense levels and assess its financial assets as needed to mitigate negative impacts of the pandemic. As disclosed in Note 1, management received a Paycheck Protection Program loan to provide additional liquidity to mitigate the potential negative financial effects of the pandemic in 2020 and a second loan in 2021. As disclosed in Note 4, the Company also entered a long-term loan with the United States Small Business Administration in October 2021 for \$2,000,000 to provide additional liquidity. The Company also received an economic injury disaster grant of \$9,000 in 2020.

7. Defined Contribution Plan

The Company adopted a participation agreement effective January 1, 2016, to participate in the Cleaners Depot, LLC 401(K) Profit Sharing Plan and Trust. All Company employees over the age of 21 and having completed 90 days of continuous employment are eligible to participate. The Company matches employees' contributions equal to the sum of 100% of the first 4% of employees' contributions. The Company's expense for the plan was \$9,599 in 2021 (\$7,962 in 2020).

8. Related Party Transactions

The Company provides management and administrative support to affiliated entities with the same controlling ownership as the Company. For each affiliate-owned store location in operation, the Company collects a management fee in the form of a royalty payment of 8% of that location's revenue on a weekly basis. For the years ended December 31, 2021, and December 25, 2020, the Company recognized \$58,940 and \$48,979, respectively, of royalty revenue from affiliate-owned locations. For new locations developed and opened by an affiliated entity, the Company collects a one-time development fee to reimburse the Company for costs related to the selection of real estate sites, negotiation of leases, recruitment and training of management staff, and project management of the store opening. The Company did not recognize any development fee revenue in the years ended December 31, 2021, and December 25, 2020.

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

9. Future Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for fiscal year ending December 30, 2022. The Company is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.



**AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 25, 2020**

Cleaners Depot Franchise, LLC
Audit Report
For the Year Ended December 25, 2020

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INDEPENDENT AUDITOR'S REPORT

Members
Cleaners Depot Franchise, LLC
Westchester, Illinois

We have audited the accompanying financial statements of **Cleaners Depot Franchise, LLC** which comprise the balance sheet as of December 25, 2020, and December 27, 2019, and the related statements of members' equity (deficit), income, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleaners Depot Franchise, LLC as of December 25, 2020, and December 27, 2019, 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.

Selden Fox, Ltd.

April 15, 2021

Cleaners Depot Franchise, LLC
Balance Sheet

	December 25, 2020	December 27, 2019
Assets		
Current assets:		
Cash	\$ 175,496	\$ 784,542
Restricted cash	60,829	150,755
Receivables	86,057	-
Prepaid expenses	5,502	9,185
Total current assets	327,884	944,482
Property and equipment at cost, less accumulated accumulated depreciation and amortization of \$114,105 at December 25, 2020 (\$122,402 at December 27, 2019)	21,581	15,321
Prepaid rent	-	3,516
Security deposits	9,500	9,500
Total assets	\$ 358,965	\$ 972,819
Liabilities and Members' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 3,783	\$ 16,193
Accrued payroll and paid time off	-	4,106
Accrued royalty rebate	112,129	199,961
Line of credit	100,000	-
Deferred franchise fee revenue	43,167	43,167
Deferred rent	29,736	-
Total current liabilities	288,815	263,427
Long-term liabilities - deferred franchise fee revenue	145,332	160,249
Total liabilities	434,147	423,676
Members' equity (deficit)	(75,182)	549,143
Total liabilities and members' equity (deficit)	\$ 358,965	\$ 972,819

See accompanying notes.

Cleaners Depot Franchise, LLC
Statement of Members' Equity (Deficit)

Members' equity at December 28, 2018, as adjusted	\$ 621,827
Capital contributed	-
Capital withdrawals	(450,000)
Net income	<u>377,316</u>
Members' equity at December 27, 2019	549,143
Capital contributed	-
Capital withdrawals	(400,000)
Net loss	<u>(224,325)</u>
Members' deficit at December 25, 2020	<u>\$ (75,182)</u>

See accompanying notes.

Cleaners Depot Franchise, LLC

Statement of Income

	For the Year Ended December 25, 2020	For the Year Ended December 27, 2019
Revenues:		
Royalty/license fees	\$ 1,272,638	\$ 2,364,649
Marketing fund fees	690,586	1,234,890
Franchise fees	47,417	51,833
Payroll protection program grant	190,026	-
Economic injury disaster grant	9,000	-
Miscellaneous	39	93
Total revenues	2,209,706	3,651,465
Expenses:		
Accounting and tax fees	22,436	14,065
Auto expenses	7,305	15,969
Administrative charge	435,900	567,816
Business meals and entertainment	3,938	10,444
Company events	-	14,588
Computer hardware/software	37,662	24,626
Depreciation and amortization	10,445	11,324
Dues and subscriptions	2,697	4,213
Insurance	75,150	96,614
Leased equipment	9,303	11,682
Legal fees	45,790	40,189
Licenses, permits and fees	1,254	1,857
Marketing	2,376	3,974
Marketing fund expenses	920,017	1,457,878
Meetings and conventions	4,459	18,262
Miscellaneous	21,797	18,463
Office supplies	5,560	9,587
Other professional fees	120,991	128,256
Payroll	544,009	631,918
Postage	2,914	4,534
Recruiting	8,292	19,492
Rent and utilities	94,808	95,457
Repairs and maintenance	-	1,858
Retirement plan contribution	7,962	17,881
Security	1,149	1,089
Supplies - store purchases	16,207	3,735
Telephone	12,848	18,030
Training	5,896	6,081
Travel	12,866	24,151
Uniforms	-	116
Total expenses	2,434,031	3,274,149
Net income (loss)	\$ (224,325)	\$ 377,316

See accompanying notes.

Cleaners Depot Franchise, LLC
Statement of Cash Flows

	For the Year Ended December 25, 2020	For the Year Ended December 27, 2019
Cash flows from operating activities:		
Net income (loss)	\$ (224,325)	\$ 377,316
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	10,445	11,324
Forgiveness of payroll protection loan	(190,026)	-
Changes in certain assets and liabilities:		
Receivables	(86,057)	-
Prepaid expenses	3,683	4,778
Prepaid/deferred rent	33,252	(1,927)
Accounts payable	(12,410)	16,193
Accrued payroll	(4,106)	(82,375)
Accrued royalty rebate	(87,832)	3,789
Deferred franchise fee revenue	(14,917)	(51,833)
Net cash from operating activities	(572,293)	277,265
Cash flows from investing activities - purchase of property and equipment	(16,705)	(6,834)
Cash flows from financing activities:		
Borrowings on line of credit	100,000	-
Proceeds from payroll protection loan	190,026	-
Member withdrawals	(400,000)	(450,000)
Net cash from financing activities	(109,974)	(450,000)
Net change in cash	(698,972)	(179,569)
Cash, beginning of the year	935,297	1,114,866
Cash, end of the year	\$ 236,325	\$ 935,297
Balance sheet classification:		
Cash	\$ 175,496	\$ 784,542
Restricted cash	60,829	150,755
	\$ 236,325	\$ 935,297

See accompanying notes.

Cleaners Depot Franchise, LLC

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Fiscal Year – The Company's fiscal year ends on the last Friday in December. Fiscal year 2020 contained fifty-two weeks and fiscal year 2019 contained fifty-two weeks.

Description of Business – Cleaners Depot Franchise, LLC (a Nevada Limited Liability Company) is engaged in the franchising of an innovative dry cleaning and laundry "superstore" concept, where all garments are dry cleaned for one low price with same-day service at no extra charge. The stores, which operate under the trade name CD One Price Cleaners, offer a bright, clean, inviting retail environment with an open view of the plant-on-premise production area.

Additionally, the Company provides management and administrative support to affiliated entities involved in the operation, support and development of CD One Price Cleaners locations.

As of December 25, 2020, the Company had 36 locations open in the United States, consisting of 35 franchise locations and 1 affiliate-owned or managed location.

Pervasiveness of Estimates – The preparation of financial statements in accordance 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, liabilities, and operations at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Cash – Cash consists of bank deposits in federally insured accounts. At December 25, 2020, the Company's cash accounts did not exceed the federally insured limits.

Receivables – Receivables consist primarily of amounts due from franchisees for royalty payments, as the Company allowed franchisees the option to defer payment of weekly royalty fees beginning with the week ended July 31, 2020. The Company does not charge interest or late fees on amounts past due. The Company has not established an allowance for doubtful accounts, as management's periodic evaluation of the receivables has not identified any potentially uncollectible amounts at December 25, 2020. This evaluation of the collectability of receivables is based on known and inherent risks in the accounts, adverse situations that may affect the franchisee's ability to repay, and current economic conditions. Accounts deemed uncollectible are charged to expense. Amounts due over 90 days totaled \$36,906 at December 31, 2020.

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Property and Equipment – Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful life. Estimated lives are as follows:

Office furniture	7 years
Computer equipment	3 – 5 years
Computer software	5 years
Leasehold improvements	10 years

Paycheck Protection Program Loan – In April of 2020, the Company received \$188,852 of proceeds in the form of a potentially forgivable loan under the CARES Act's Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Association (SBA). The Company has elected to account for its potentially forgivable Paycheck Protection Program loan payable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470, *Debt*. Under this guidance, extinguishment of the loan would be recognized when the Company has been legally released as the primary obligor of the loan. This would occur if and when the United States Small Business Administration approves the Company's forgiveness application. The Company received notification on December 16, 2020, that their application for forgiveness has been approved, at which time the loan was extinguished and the Company recognized the entire amount as payroll protection program grant income on the statement of income. Subsequent to year end, the Company received a second paycheck protection program loan for \$142,311.

Revenue Recognition – The principal source of revenues are the ongoing royalty/license fees, which are a percentage of revenues of each franchised entity. The Company recognizes royalty/license fee revenues as and when the underlying sales occur. The Company also receives non-refundable initial franchise fees, which are recognized as revenues over the initial non-cancellable period of the franchise agreement, commencing when all material services or conditions have been substantially performed. This occurs when a franchised entity opens for business or when a franchise agreement is terminated after it has been determined that the franchised entity will not open. This results in a contract liability being recorded on the balance sheet recognized as deferred franchise fee revenue at year end.

The Company's franchise agreements also require the payment of marketing fees, which are intended to reimburse the Company for expenses associated with advertising and marketing programs. Marketing fund fees, which are a percentage of revenues of each franchised entity, are recognized as revenue when the underlying sales occur.

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Marketing Fund – The Company administers a marketing fund on behalf of the franchise and affiliate-owned locations to develop and execute advertising and sales promotion programs. Each location is required to contribute the amount that the Company periodically specifies, not to exceed three percent (3%) of revenue. The Company has the right at any time to terminate the marketing fund upon written notice. All unspent monies on the date of the termination shall be distributed to franchise and affiliate-owned locations in proportion to their respective contributions to the marketing fund during the preceding twelve-month period. For each of the twelve months during fiscal 2020 and 2019, the required contribution rate was three percent (3%).

The following table summarizes the monies collected and the costs incurred by the marketing fund for the twelve months ended December 25, 2020, and December 27, 2019.

	<u>2020</u>	<u>2019</u>
Balance in fund at beginning of the year	\$ 150,755	\$ 373,743
Marketing fund fees	690,586	1,234,890
Marketing and advertising expenses	<u>920,017</u>	<u>1,457,878</u>
Balance (deficit) in fund at end of the year	<u>\$ (78,676)</u>	<u>\$ 150,755</u>

The marketing fund surplus as of December 27, 2019, has been recorded as restricted cash. The Company expenses advertising costs as incurred.

Income Taxes – The Company is taxed as a partnership for federal income tax purposes. The income and expenses of the Company pass through and are taxable to the members of the Company. Therefore, no provision for federal income taxes has been made in the accompanying financial statements. The Company's federal and Illinois tax returns for the fiscal years ended 2017, 2018, and 2019, remain subject to examination.

Subsequent Events – Subsequent events have been evaluated through April 15, 2021, which is the date the financial statements were available to be issued.

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

2. Property and Equipment

Property and equipment at December 25, 2020, and December 27, 2019, consists of the following:

	<u>2020</u>	<u>2019</u>
Office furniture	\$ 66,764	\$ 66,663
Computer equipment	47,830	49,968
Computer software	3,586	3,586
Leasehold improvements	<u>17,506</u>	<u>17,506</u>
Total cost	135,686	137,723
Less accumulated depreciation and amortization	<u>114,105</u>	<u>122,402</u>
	<u>\$ 21,581</u>	<u>\$ 15,321</u>

Depreciation and amortization expense totaled \$10,445 for the year ended December 25, 2020 (\$11,324 in 2019).

3. Line of Credit

The Company entered into a \$1,300,000 line of credit agreement dated August 18, 2020, and maturing August 18, 2021. Interest is due and payable monthly at 3.25% beginning September 18, 2020. The Company borrowed \$100,000 in December 2020 and the balance outstanding at December 25, 2020, is \$100,000. The line of credit is being used to offset the deficit in the marketing fund.

4. Royalty Rebates

The Company issues a royalty rebate of 1% of revenue to those franchisees in compliance with the franchise agreement. Eligibility for the rebate is determined semiannually at June 30 and at year end. Franchises meeting the eligibility criteria begin receiving their rebates in the form of credits applied against royalty payments due starting on September 1 and March 1, respectively. During the year ended December 25, 2020, the Company issued royalty rebates of \$221,573 (\$401,563 in 2019), which are netted against royalty/license fee revenue in the statements of income. Rebates earned but not yet credited to the franchisees totaled \$112,129 at December 25, 2020 (\$199,961 at December 27, 2019).

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

5. Commitments and Contingencies

Operating Leases – The Company had entered into a lease for office space dated October 20, 2006, and took occupancy March 2, 2007. The term of that lease was first extended to July 31, 2012, and then again on April 15, 2011, modifying the monthly base rent and extending the lease to July 31, 2015. On March 2, 2015, a third amendment modified the base rent and extended the lease to July 31, 2020. On October 1, 2019, a fourth amendment extended the lease to September 30, 2022, with an option to extend again to September 30, 2024. This amendment also included an abatement of rent originally scheduled for the months of August and September 2020.

In addition, the Company leases certain office equipment with monthly payments ranging from \$89 to \$956, and lease terms expiring at various times through December 25, 2022. The Company is committed to make the following minimum annual rental payments:

2021	\$ 121,747
2022	<u>80,559</u>
	<u>\$ 202,306</u>

Rental expense for all operating leases was \$107,165 for the year ended December 25, 2020 (\$100,309 in 2019).

Covid Pandemic – As a result of the spread of the COVID-19 coronavirus, there are economic uncertainties that exist which could have a negative financial impact on the Company, including the potential for reductions in future royalty and marketing fund revenue, and collection of accounts receivable. The full potential impact is unknown at this time. Management is monitoring the situation and will adjust expense levels and assess its financial assets as needed to mitigate negative impacts of the pandemic. As disclosed in Note 1, management received a Paycheck Protection Program loan to provide additional liquidity to mitigate the potential negative financial effects of the pandemic in 2020 and a second loan in 2021. The Company also received an economic injury disaster grant of \$9,000 in 2020.

6. Defined Contribution Plan

The Company adopted a participation agreement effective January 1, 2016, to participate in the Cleaners Depot, LLC 401(K) Profit Sharing Plan and Trust. All Company employees over the age of 21 and having completed one year of service, defined as having at least 1,000 hours of service over a twelve-month period, are eligible to participate. The Company matches employees' contributions equal to the sum of 100% of the first 3% plus 50% of employees' contributions between 3% and 5%. The Company's expense for the plan was \$17,881 in 2019 (\$26,602 in 2018).

Cleaners Depot Franchise, LLC
Notes to the Financial Statements (cont'd)

7. Related Party Transactions

The Company provides management and administrative support to affiliated entities with the same controlling ownership as the Company. For each affiliate-owned store location in operation, the Company collects a management fee in the form of a royalty payment of 8% of that location's revenue on a weekly basis. For the years ended December 25, 2020, and December 27, 2019, the Company recognized \$48,979 and \$88,099, respectively, of royalty revenue from affiliate-owned locations. For new locations developed and opened by an affiliated entity, the Company collects a one-time development fee to reimburse the Company for costs related to the selection of real estate sites, negotiation of leases, recruitment and training of management staff, and project management of the store opening. The Company did not recognize any development fee revenue in the years ended December 25, 2020, and December 27, 2019.

8. Future Accounting Pronouncement

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for fiscal year ending December 31, 2021. The Company is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

UNAUDITED FINANCIAL STATEMENTS

Cleaners Depot Franchise, LLC
Balance Sheet
As of November 25, 2022

	Nov 25, 22
ASSETS	
Current Assets	
Checking/Savings	
1005 · Cash-Chase 2946465412	71,272.67
1010 · Cash-INBK	218,057.54
1011 · Cash-INBK-EIDL 0100104637	724,659.53
1012 · Cash-INBK-Marketing 7000128355	171,821.62
1020 · PETTY CASH	500.00
Total Checking/Savings	1,186,311.36
Other Current Assets	
1100 · ACCOUNTS RECEIVABLE	12,860.22
1300 · PREPAID EXPENSES	5,502.02
1840 · INVESTMENT AFS	
1845 · MARGIN LOAN - TD AMERITRADE	-1,437,717.45
1840 · INVESTMENT AFS - Other	2,221,312.84
Total 1840 · INVESTMENT AFS	783,595.39
Total Other Current Assets	801,957.63
Total Current Assets	1,988,268.99
Fixed Assets	
1520 · OFFICE FURNITURE & EQUIPMENT	100,365.85
1570 · COMPUTER EQUIPMENT	50,115.18
1575 · COMPUTER SOFTWARE	3,585.94
1600 · LEASEHOLD IMPROVEMENTS	17,505.98
1630 · ACCUMULATED DEPRECIATION	-119,942.06
Total Fixed Assets	51,630.89
Other Assets	
1700 · EMPLOYEE RETENTION CREDIT	17,467.26
1755 · ACCUM AMORT-FRAN. DEV. COSTS	-2,673.33
1820 · SECURITY DEPOSITS	19,527.08
Total Other Assets	34,321.01
TOTAL ASSETS	2,074,220.89
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2205 · ACCRUED PAYROLL EXPENSES	17,467.26
2210 · ACCRUED ROYALTY REBATE	5,358.94
2380 · DEPOSITS-FRANCHISE FEES	2,000.00
Total Other Current Liabilities	24,826.20
Total Current Liabilities	24,826.20
Long Term Liabilities	
2570 · DEFERRED RENT EXPENSE	6,339.59
2632002 · LOAN SBA TREASURY 002	499,900.00
2632003 · LOAN SBA TREASURY 003	1,500,000.00
Total Long Term Liabilities	2,006,239.59
Total Liabilities	2,031,065.79

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Cleaners Depot Franchise, LLC
Balance Sheet
As of November 25, 2022

	Nov 25, 22
Equity	
30000 · Opening Balance Equity	907,526.05
3000000 · BEGINNING EQUITY	410,001.34
3005 · PTR. DRAW CLEANERS DEPOT, LLC	-2,889,581.00
3007 · PTR. DRAW ATS	-44,014.00
3008 · PTR. DRAW MJC	-28,152.00
3010 · PTR. DRAW SIMBA, LLC	-28,703.00
3015 · CD LLC CAPITAL CONTRIB	377,850.00
3017 · ATS CAPITAL CONTRIB	30.00
3018 · MJC CAPITAL CONTRIB	30.00
3020 · SIMBA CAPITAL CONTRIB	3,150.00
3025 · CLEANERS DEPOT, LLC CAPITAL	183.00
3027 · ATS CAPITAL	6.00
3028 · MJC CAPITAL	6.00
3030 · SIMBA CAPITAL	2.00
3050 · OCI-UNREALIZED GAIN	-546,480.81
32000 · Retained Earnings	873,929.46
Net Income	1,007,372.06
Total Equity	43,155.10
TOTAL LIABILITIES & EQUITY	2,074,220.89

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Cleaners Depot Franchise, LLC

Profit & Loss

Cash Basis

January 1 through November 25, 2022

	Jan 1 - Nov 25, 22
Ordinary Income/Expense	
Income	
4000001 · ROYALTY/ LIC FEE AFFILIATE OWN	28,006.02
4000003 · ROYALTY/ LIC FEE FRANCHISEES	2,061,407.28
4000004 · ROYALTY/ LIC FEE PUD-LD	42,805.16
4000005 · ROYALTY/ LIC FEE LOCKER	2,329.84
4000998 · PUD ROYALTY REBATE	-1,471.64
4000999 · ROYALTY REBATE	-163,948.56
4010 · FRANCHISE FEES	3,667.00
4030 · OTHER INCOME	10,500.00
Total Income	1,983,295.10
Gross Profit	1,983,295.10
Expense	
60000 · Fixed Cost	
6200 · RECRUITING EXPENSES	2,119.78
6205 · AWARDS/RECOGNITION	6,823.35
6210 · ACCOUNTING & TAX FEES	20,766.75
6215 · AUTO EXPENSES	7,099.64
6225 · BANK CHARGES	2,203.19
6235 · RENT	78,276.08
6235001 · RENT-Training Room	750.00
6240 · DUES & SUBSCRIPTIONS	2,654.94
6260 · INSURANCE-EMPLOYEE HEALTH	23,622.25
6270 · INSURANCE-PROPERTY/LIABILITY	1,125.69
6271 · INSURANCE-DIRECTORS & OFFICERS	26,923.93
6273 · INSURANCE-CYBER	1,787.14
6274 · LEGAL FEES	37,499.51
6275 · OTHER PROFESSIONAL FEES - GEN	69,611.00
6275002 · OTHER PROFESSIONAL FEES - TECH	11,000.00
6276 · PAYROLL PROCESSING FEE	8,274.21
6300 · MANAGEMENT & SUPPORT WAGES	449,033.58
6305 · 401K EMPLOYER CONTRIBUTION	15,487.00
6320 · SECURITY & MUSIC	652.93
6340 · TELEPHONE-VOICE AND DATA	7,288.95
6341 · TELEPHONE-WIRELESS	1,100.00
Total 60000 · Fixed Cost	774,099.92
70000 · Controllable Cost	
6480 · FRANCHISE PROSPECT MARKETING	4,081.50
6565 · LOCAL PROMOTIONS/PR	210.02
6575 · LICENSES, PERMITS & FEES	1,488.69
6580 · OFFICE MEALS	1,443.98
6595 · COMPUTER HARDWARE/SOFTWARE	38,998.88
6597 · OFFICE SUPPLIES	3,270.82
6598 · POSTAGE	560.13
6599 · EXPRESS MAIL	1,371.92
6604 · STORE SUPPLIES & MISC EXPENSE	101.78
6605 · UNIFORMS	215.34
6606 · UTILITIES-ELECTRIC	3,306.93
6608 · UTILITIES-GAS	3,104.14
6655 · LEASED EQUIPMENT EXPENSE	7,821.67
6680 · MOVING EXPENSES	10,063.45
6690 · TRAVEL EXPENSES	14,239.40
6695 · COMPANY EVENTS	959.50
6700 · BUSINESS MEALS & ENTERTAINMENT	2,541.10
6701 · MEETINGS & CONVENTIONS	6,503.43

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Cleaners Depot Franchise, LLC
Profit & Loss
January 1 through November 25, 2022

Cash Basis

	Jan 1 - Nov 25, 22
6705 · TRAINING MATERIALS & SUPPLIES	8,513.98
6720 · G&A REIMBURSEMENT	386,967.35
Total 70000 · Controllable Cost	495,764.01
Total Expense	1,269,863.93
Net Ordinary Income	713,431.17
Other Income/Expense	
Other Income	
6991 · GAIN ON EXTINGUISHMENT OF ERC	0.00
6992 · REALIZED GAIN/LOSS	-8,931.00
6993 · GRANT	150,000.00
8000 · DIVIDEND INCOME	5,886.22
8010 · INTEREST INCOME	0.02
Total Other Income	146,955.24
Other Expense	
6999 · SUSPENSE	0.00
8005 · MARGIN INTEREST	11,384.40
8050 · INTEREST EXPENSE	53.45
9010 · INCOME TAXES	1,530.00
95000 · Store AD	
9015 · STORE AD FUND FEES COLLECTED	-938,847.10
9015001 · STORE AD FUND FEES - PUD-LD	-19,489.24
9015002 · STORE AD FUND FEES - PUD-CS	-13,006.09
9015003 · STORE AD FUND FEES - PUD-CA	-40,050.00
9015004 · STORE AD FUND FEES - LOCKER	-1,075.30
9020 · STORE AD FUND EXPENSES	852,514.23
Total 95000 · Store AD	-159,953.50
Total Other Expense	-146,985.65
Net Other Income	293,940.89
Net Income	1,007,372.06

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

EXHIBIT F
TABLE OF CONTENTS TO MANUAL

Operations Manual – Table of Contents

- 01. Operations Manual Introduction – 7 pages
- 02. Pre-Opening Procedures – 13 pages
- 03. Human Resources – 2 pages
- 04. Daily Store Procedures – 3 pages
- 05. Quality – 5 pages
- 06. Procedures – 1 page
- 07. Advertising – 4 pages
- 08. Bookkeeping – 3 pages

Total of 38 pages

EXHIBIT G-1

PROMISSORY NOTE

G-1-1

NEGOTIABLE SUBORDINATED SECURED PROMISSORY NOTE

\$_____

_____, 20____
Westchester, Illinois

1. **Loan Amount and Interest Rate.** **FOR VALUE RECEIVED,** _____, a _____ ("Maker"), unconditionally promises to pay to the order of **[CD affiliate for the CD Store to be purchased]** ("Holder"), at its principal place of business at 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154 or at such other place as Holder may from time to time designate in writing, in lawful money of the United States of America, the principal sum of _____ DOLLARS (\$_____), together with interest on the unpaid balance from time to time at a rate of _____ percent (____%) per annum.

2. **Payment Schedule.** The principal indebtedness evidenced by this Note shall be due and payable in _____ (____) monthly installments, commencing on _____, 201____ and continuing on the monthly anniversaries of such date thereafter until all indebtedness evidenced by this Note is paid in full, and in accordance with the Payment Schedule attached as Schedule A. All outstanding principal and accrued and unpaid interest shall be due and payable no later than _____, 201____.

If any payment of principal and/or interest to be made by Maker shall become due on any day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest with respect to such payment. "**Business Day**" means any day other than a Saturday or Sunday or public holiday under the laws of the State of Illinois. This Note may be prepaid at any time and from time to time, without premium or penalty. All payments Maker makes will be applied first to costs, if any, then due under this Note, then to accrued interest, then to the next installment(s) of principal due hereunder.

3. **Additional Liabilities and Reporting.** Without Holder's prior written consent, Maker shall not directly or indirectly create, incur, assume, or otherwise become liable with respect to any Liabilities (as defined below) that, individually or in the aggregate, exceed One Hundred Thousand Dollars (\$100,000). If more than one person is Maker hereunder, then the One Hundred Thousand Dollar (\$100,000) limit shall apply to all of them collectively, not individually. "**Liabilities**" means any indebtedness for borrowed money, notes and accounts payable (including, without limitation, trade payables), and other obligations and liabilities of any kind whatsoever, whether or not relating to the business that Maker will operate under the Franchise Agreement (defined below), and whether absolute or contingent, matured or unmatured, excluding only (a) Liabilities to Holder or its affiliates arising under the Franchise Agreement, this Note or any other agreement between Maker and Holder or any of Holder's affiliates; and (b) Liabilities which were incurred prior to the date hereof the amounts for which were disclosed to Holder prior to the date hereof. Upon request from Holder from time to time, Maker shall certify to, and provide Holder evidence, supporting documentation and other information (including, without limitation, financial statements and tax returns of Maker) that

Holder periodically requests relating to, the amount of the Liabilities and the financial condition of Maker. Holder shall have the right, from time to time during normal business hours but without notice to Maker, to inspect, audit and copy any of Maker's books and records pertaining to any Liabilities. Holder also shall have the right, and Maker hereby authorizes Holder, from time to time (but not more than twice during any period of twelve (12) consecutive months), to obtain from credit reporting agencies any credit reports, consumer reports and other reports and information relating to Maker's credit history to determine Maker's creditworthiness and compliance with this paragraph and for other purposes permitted by law. Maker understands that credit inquiries have the potential to impact Maker's credit score.

4. **Events of Default.** From and after the occurrence of one or more of the following events (the "**Events of Default**"), the outstanding principal amount hereof shall bear interest at the interest rate of eighteen percent (18%) per annum or such lesser maximum percentage amount permissible under applicable state law, to be computed on the daily principal balance outstanding during the period from the date such payment is due until the date such payment is made (the "**Default Rate**"). The following events shall each constitute an Event of Default hereunder:

- (a) Maker shall fail to make any payment when due and payable pursuant to this Note;
- (b) Maker shall fail or neglect to perform, keep or observe any provision of this Note, the Security Agreement (defined below), the Purchase Agreement (defined below), or any other agreement in connection with the indebtedness evidenced by this Note (collectively referred to herein as the "**Agreements**");
- (c) the Franchise Agreement between Maker and Cleaners Depot Franchise, LLC, Holder's affiliate (the "**Franchise Agreement**"), expires or is terminated for any reason; or
- (d) Maker shall become insolvent or makes a general assignment for the benefit of creditors; a petition in bankruptcy is filed by Maker or such a petition is filed against and not opposed by Maker; Maker is adjudicated as bankrupt or insolvent; a bill in equity or other proceeding for the appointment of a receiver of Maker or other custodian for Maker's business or assets is filed and consented to by Maker; a receiver or other custodian (permanent or temporary) of Maker's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law should be instituted by or against Maker; a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a superseding bond is filed); Maker is dissolved; execution is levied against Maker's business or property; or the real or personal property of Maker's business shall be sold after levy thereupon by any sheriff, marshal or constable.

Upon the occurrence of an Event of Default, Holder shall, without demand therefor but upon notice thereof to Maker, have the option to declare all then unpaid indebtedness under this

Note immediately due and payable and to exercise all rights and remedies available to it under any or all of the Agreements. Notice shall be deemed given consistent with the terms and conditions set forth herein. The acceptance by Holder of any partial payment of the indebtedness under this Note will not establish a custom, or waive any of Holder's rights or remedies pursuant to this Note or any Agreement, at law or in equity.

Maker further agrees to pay, immediately upon demand by Holder, any and all costs, fees and expenses (including reasonable attorneys' fees, costs and expenses) incurred by Holder (a) in enforcing any of Holder's rights under this Note or any of the Agreements, whether or not litigation or arbitration is commenced with respect thereto; and (b) in representing Holder in any litigation, contest, suit or dispute, or to commence, defend or intervene or to take any action with respect to any litigation, contest, suit or dispute (whether instituted by Holder, Maker or any other person), in any way relating to this Note. However, in no contingency or event whatsoever shall interest charged hereunder, however such interest may be characterized or computed, exceed the highest rate permissible under any law which a court of competent jurisdiction determines is applicable hereto.

5. **Other Agreements.** This Note is being made and delivered in accordance with the terms and conditions of that certain Purchase Agreement and Bill of Sale entered into between Maker and Holder effective as of the date hereof (the "**Purchase Agreement**"). This Note is secured by that certain Security Agreement entered into between Maker and Holder effective as of the date hereof (the "**Security Agreement**"), which encumbers certain collateral described therein.

6. **Waiver.** Maker hereby waives presentment for payment, notice of dishonor, protest, notice of protest and any and all demands and notices not specifically required in this Note, any of the other Agreements or the Franchise Agreement.

Time is of the essence with respect to all of Maker's obligations and agreements under this Note. Any forbearance by Holder in exercising any right or remedy hereunder or otherwise afforded by law, including, without limitation, granting an extension of time for the payment of any of the indebtedness evidenced by this Note, shall not be or be deemed a waiver of any of Holder's rights or remedies and shall not preclude the exercise of any such right or remedy. All remedies conferred upon Holder by this Note, the other Agreements or the Franchise Agreement shall be cumulative and none is exclusive, and such remedies may be exercised concurrently or consecutively at Holder's option.

7. **Choice of Law and Forum.** THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS NOTE, AND THE RELATIONSHIP OF THE PARTIES HERETO, SHALL BE GOVERNED IN ALL RESPECTS BY THE LAW OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES. TO INDUCE HOLDER TO ACCEPT THIS NOTE, AND NOTWITHSTANDING THE ARBITRATION PROVISIONS OF THE FRANCHISE AGREEMENT (WHICH MAKER ACKNOWLEDGES AND AGREES SHALL NOT APPLY TO ANY ACTIONS OR PROCEEDINGS ARISING OUT OF OR FROM OR RELATED TO THIS NOTE OR THE RELATIONSHIP BETWEEN

MAKER AND HOLDER HEREUNDER), MAKER IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS IN ANY WAY, MANNER OR RESPECT, ARISING OUT OF OR FROM OR RELATED TO THIS NOTE OR THE RELATIONSHIP BETWEEN MAKER AND HOLDER HEREUNDER SHALL BE LITIGATED IN COURTS HAVING SITUS WITHIN THE CITY OF CHICAGO, STATE OF ILLINOIS. MAKER HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURTS LOCATED WITHIN SAID CITY AND STATE. MAKER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY LITIGATION BROUGHT AGAINST MAKER BY HOLDER IN ACCORDANCE WITH THIS PARAGRAPH.

8. **Waiver of Jury Trial and Punitive Damages.** MAKER IRREVOCABLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, COUNTERCLAIM OR PROCEEDING (A) TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR IN CONNECTION WITH THIS NOTE, ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith, OR THE RELATIONSHIP OF MAKER AND HOLDER OR (B) ARISING FROM ANY DISPUTE OR CONTROVERSY IN CONNECTION WITH OR RELATED TO THIS NOTE, ANY SUCH AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT, OR THE RELATIONSHIP OF MAKER AND HOLDER, AND AGREES THAT ANY SUCH ACTION, SUIT, COUNTERCLAIM OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. MAKER AGREES THAT IT WILL NOT ASSERT, AND MAKER HEREBY WAIVES, ANY CLAIM AGAINST HOLDER ON ANY THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES.

9. **Binding Effect and Assignment.** This Note and all of the provisions, promises and covenants hereof shall inure to the benefit of Holder, its successors and assigns, and shall be binding in accordance with the terms hereof upon Maker, its successors and assigns.

10. **Severability.** If any provision of this Note is held to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed herefrom and such invalidity or unenforceability shall not affect any other provision of this Note, the balance of which shall remain in and have its intended full force and effect; provided, however, if such invalid or unenforceable provision may be modified so as to be valid and enforceable as a matter of law, such provision shall be deemed to have been modified so as to be valid and enforceable to the fullest extent permitted by law.

11. **Notices.** Any and all notices and other communications required or permitted under this Note shall be in writing and shall be personally delivered, sent by telecopier, mailed by certified mail, return receipt requested, or dispatched by overnight delivery service, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

If to Holder: **[CD affiliate]**
2205 Enterprise Drive
Suite 502
Westchester, Illinois 60154
Attention: Rafiq Karimi

With a copy to: DLA Piper US LLP
444 West Lake Street, Suite 900
Chicago, Illinois 60606
Attention: Richard J. Morey

If to Maker:

Notices shall be deemed to have been received as follows: by personal delivery or telecopier: at the time of delivery; by overnight delivery service: on the next Business Day following the date on which the notice was given to the overnight delivery service; and by certified mail: the earlier of the actual date of delivery or three (3) days after the date of mailing.

12. **Entire Agreement.** This Note, the other Agreements and the Franchise Agreement constitute the entire and complete agreement between Maker and Holder concerning the subject matter thereof, and supersede any and all prior agreements. There are no other oral or written representations, warranties, understandings or agreements between Maker and Holder relating to their subject matter. No amendment, change or variance from this Note shall be binding on either Maker or Holder unless mutually agreed to by the parties and executed by their authorized officers in writing.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

MAKER:

By: _____
[Print Name]

SCHEDULE A
PAYMENT SCHEDULE

Schedule A-1

EXHIBIT G-2
SECURITY AGREEMENT

G-2-1

THE SECURITY INTEREST GRANTED BY THIS SECURITY AGREEMENT IS SUBORDINATE TO THE INDEBTEDNESS (INCLUDING INTEREST) OWED BY DEBTOR TO [BANK] PURSUANT TO THAT CERTAIN _____ AGREEMENT DATED _____

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "**Agreement**"), made as of this ____ day of _____ 20__, by and between [CD affiliate for CD store to be purchased] ("**Secured Party**") and [Franchisee] ("**Debtor**").

RECITALS:

WHEREAS, Secured Party and Debtor are parties to that certain Purchase Agreement and Bill of Sale dated as of _____, 20__ (the "**Purchase Agreement**") under which Secured Party is selling certain assets associated with the operation of its CD One Price Cleaners store at _____ (the "**Store**") to Debtor; and

WHEREAS, in connection with the Purchase Agreement, Secured Party has agreed to loan Debtor the original principal amount of _____ Dollars (\$_____) pursuant to the terms and conditions of the Subordinated Promissory Note dated as of even date herewith signed by Debtor as Maker thereunder (the "**Note**").

NOW, THEREFORE, in consideration of the mutual promises contained herein and in the Purchase Agreement and the Note, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Recitals.** The Recitals are incorporated herein by this reference.
2. **Indebtedness and Security Interest.** To secure the prompt payment and performance by Debtor of (i) any and all of Debtor's indebtedness, obligations and liabilities to Secured Party under the Note, whether due or to become due, and (ii) any and all expenses and charges, legal or otherwise, suffered or incurred by Secured Party in collecting any such indebtedness, obligations or liabilities, or realizing upon, protecting or preserving the security interests granted hereby (collectively, the "**Debtor's Obligations**"), Debtor does hereby pledge and grant to Secured Party a continuing and unconditional security interest in and to all assets and property of Debtor [**associated directly or indirectly with the operation of the Store**], whether now existing or hereafter acquired, and wherever now or hereafter located, and the products and proceeds therefrom, described as follows:

- (a) All Accounts;
- (b) All Deposit Accounts; Letter of Credit Rights; Instruments; Documents; and General Intangibles;

(c) All Equipment (including, without limitation, all dry cleaning machinery) and Debtor's rights, title and interest in any and all service warranties relating to the Equipment;

(d) All books and records (including, without limitation, customer lists, credit files, computer programs, print-outs, and other computer materials and records) of Debtor;

(e) The Deposit (defined below); and

(f) All insurance policies and proceeds insuring the foregoing property or any part thereof.

All the aforesaid property and the products and Proceeds therefrom are herein individually and collectively called the "**Collateral.**" The terms used herein to identify the Collateral shall have the respective meanings assigned to such terms in the Uniform Commercial Code of the State of Illinois as in effect from time to time.

3. **Deposit.** Simultaneously with signing this Agreement, as additional security for the prompt payment and performance of all Debtor's Obligations, Debtor shall pay to Secured Party an amount equal to one-half of one percent (1/2%) of the original principal amount of the Note as a deposit to be held by Secured Party pursuant to the terms hereof (the "**Deposit**"). The Deposit will not bear interest. Secured Party need not establish a separate account to hold the Deposit and may commingle the Deposit with Secured Party's other funds. In addition to any other rights and remedies of Secured Party under this Agreement, any other agreement or applicable law, Secured Party may at any time and without prior notice apply any of the Deposit towards any Debtor's Obligations. Following any such application, Debtor shall, within three (3) days after written notice from Secured Party, pay to Secured Party the amount needed to restore the Deposit to its original amount. Upon repayment in full of the Debtor's Obligations, Secured Party shall pay to Debtor any then remaining amount of the Deposit, without interest.

4. **Financing Statements.** Debtor authorizes Secured Party, at any time and from time to time, to file such financing statements and other documents and instruments and agrees to perform such acts as Secured Party may deem necessary or desirable in order to establish and maintain valid, attached and perfected security interests in the Collateral in favor of Secured Party.

5. **Default.** The occurrence of an "Event of Default" under the Note shall constitute an Event of Default under this Agreement. Upon the occurrence and during the continuation of an Event of Default, Secured Party, at its option, may, in addition to any other rights under this Agreement, any other agreement or applicable law: (a) enter, with or without process of law and without breach of the peace, the Store's premises and any other premises where the Collateral is or may be located, and seize and remove such Collateral from said premises or remain upon said premises and use the same for the purpose of either operating the Store or collecting, preparing and disposing thereof, or render unusable any such Collateral wherever located, without demand or notice, without any court order or other process of law and without charge or liability to

Secured Party or its representatives for any damages occasioned by such action, (b) cause Debtor to surrender any and all right to use or remove the Collateral and permit Secured Party and its agents and representatives to use any and all such Collateral as they shall deem necessary for the operation of the Store, (c) require Debtor to deliver the Collateral to a location designated by Secured Party, (d) proceed by court action to enforce performance by Debtor of this Agreement or any other agreement and/or to recover all damages and expenses incurred by Secured Party and its affiliates (as applicable) by reason of any Event of Default, or (e) exercise any other right or remedy available to Secured Party at law or in equity, including, without limitation, any one or more of the rights and remedies accruing to a "secured party" under the Uniform Commercial Code of Illinois or the state in which the Store is located, as applicable. Also, Debtor shall pay all costs and expenses (including legal fees and costs and fees of collection agencies) incurred by Secured Party in enforcing any of the terms, conditions or provisions of this Agreement.

6. **Bookkeeping Services.** In order to provide additional security for the payment of Debtor's Obligations, at Secured Party's option, exercisable upon delivery of written notice to Debtor, Debtor shall engage the party specified by Secured Party (which might be Secured Party or its affiliate), called a "service provider" in this Section 6, to provide Debtor with those bookkeeping services specified in this Section 6 ("**Bookkeeping Services**"), at which time Debtor shall comply with the terms of this Section 6. The Bookkeeping Services involve preparing, in a form, format and manner that Secured Party periodically specifies, the weekly, monthly, quarterly and/or annual financial reports concerning the Store's operation and results that Secured Party periodically specifies. Debtor must comply with all requirements of Secured Party and the service provider (if Secured Party is not the service provider). The service provider will perform all bookkeeping using cash basis accounting methods, but makes and will make no representation to Debtor as to the accuracy of the information or its compliance with generally accepted accounting principles, tax or other laws, or any other accounting methods or principles. Debtor shall not provide the financial reports or other documents that were prepared pursuant to this Section 6 to any third party whom Secured Party has not approved in writing. If Secured Party approves Debtor's providing such financial reports or other documents to any third party, Debtor shall include on such reports and documents such notices as Secured Party periodically specifies concerning Debtor's sole responsibility for the information that those reports and documents contain.

On the schedule that Secured Party periodically specifies, Debtor must send the service provider in the manner Secured Party prescribes: (a) daily cash and sales reports with supporting documentation, including bank deposit tickets and cash register tapes with cumulative totals; (b) bank account statements for the Store's bank account(s); and (c) any other documents required to record all transactions affecting the Store's activity.

On or before the fifteenth (15th) day of each month, Debtor agrees to pay Secured Party or its affiliate Four Hundred Sixty Dollars (\$460) per month for each month that Secured Party (or such affiliate) provides Bookkeeping Services. Upon delivering written notice to Debtor, Secured Party may increase this fee from time to time to reflect increases in the cost of providing these services, inflation, and other factors that Secured Party reasonably deems relevant. If Secured Party elects to have a third party provide Bookkeeping Services, then Debtor must pay

the fees that such third party periodically specifies with respect to the services that the third party provides.

Notwithstanding anything to the contrary in this Section 6, if a third party is the service provider for Bookkeeping Services, then Debtor shall sign those agreements that the service provider specifies to describe the terms and conditions under which the service provider will provide Bookkeeping Services (which, at the service provider's option, may be the same as, similar to, or materially different from the terms of this Section 6).

7. **Representations and Warranties.** Debtor hereby represents and warrants to Secured Party that: (a) Debtor has the full right, power and authority to execute, deliver and perform the terms of this Agreement, and this Agreement has been duly authorized, executed and delivered by Debtor and is a legal, valid and binding obligation of Debtor, enforceable in accordance with its terms; and (b) Debtor's signing, performing its obligations under, and complying with the terms of this Agreement will not result in a violation of, or a breach or event of default under, any agreement to which Debtor is a party or by which Debtor or its property may be bound.

8. **Maintenance of Collateral/Risk of Loss.** Debtor shall keep the Collateral in good order and repair, with reasonable allowance for wear and tear. Debtor shall pay promptly, when due, all taxes and assessments upon the Collateral or its use or operation and shall not permit any taxes or assessments to arise or remain and will promptly discharge the same, unless Debtor shall contest, through appropriate formal proceedings, the payments of any such taxes. Debtor shall permit Secured Party to examine and inspect the Collateral at any reasonable time or times. Debtor assumes all risk of loss or destruction of, or damage to, the Collateral by reason of theft, fire, water or any other cause, and the occurrence of any such casualty shall not relieve Debtor from making the payments required under the Note nor from any other obligation under this Agreement or the Note.

9. **Indemnity and Insurance.** Debtor shall indemnify, defend and hold harmless Secured Party, its affiliates, and each of their respective directors, officers, managers, owners, agents, employees, representatives and assigns (the "**Indemnified Parties**") against any and all liabilities, damages, injuries, claims, causes of action, demands, costs, interest and expenses, including (without limitation) reasonable attorneys' fees and expenses, court costs and all other out-of-pocket expenses, for bodily injury, property damage or economic or other injury, suffered by any of the Indemnified Parties as a result of any act or deed, whether by way of tort, contract or otherwise, committed or omitted by Debtor (or any of its affiliates, officers, directors, owners, agents, employees or representatives) in the performance of this Agreement or related to the Collateral.

Debtor, at its own cost and expense, agrees to maintain, throughout the term of this Agreement, insurance with respect to the Collateral as Secured Party may require, and written by such company or companies as may be satisfactory to Secured Party. Debtor's insurance carrier(s) shall provide Secured Party with a certificate of such insurance, and each insurance policy shall contain a covenant by the issuing company that Secured Party shall be

notified of any changes to or cancellation of the policy at least thirty (30) days in advance. Secured Party shall be named as an additional insured.

10. **Waiver.** No forbearance on the part of Secured Party in enforcing its rights under this Agreement, nor any extension by Secured Party of any payment or covenant to be performed by Debtor, shall constitute a waiver of any terms of this Agreement or a forfeiture of any such rights.

11. **Notices.** All notices shall be deemed duly given if sent as set forth in the Note.

12. **Assignment.** This Agreement may not be assigned by Debtor without the prior written consent of Secured Party. This Agreement is fully transferable and assignable by Secured Party. This Agreement shall be binding on and inure to the benefit of the parties, their successors and permitted assigns.

13. **Choice of Law and Forum.** THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS AGREEMENT, AND THE RELATIONSHIP OF THE PARTIES HERETO, SHALL BE GOVERNED IN ALL RESPECTS BY THE LAW OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES. TO INDUCE SECURED PARTY TO ACCEPT THIS AGREEMENT AND THE NOTE, AND NOTWITHSTANDING THE ARBITRATION PROVISIONS OF THE FRANCHISE AGREEMENT (WHICH THE PARTIES ACKNOWLEDGE AND AGREE SHALL NOT APPLY TO ANY ACTIONS OR PROCEEDINGS ARISING OUT OF OR FROM OR RELATED TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN DEBTOR AND SECURED PARTY HEREUNDER), THE PARTIES IRREVOCABLY AGREE THAT ALL ACTIONS OR PROCEEDINGS IN ANY WAY, MANNER OR RESPECT, ARISING OUT OF OR FROM OR RELATED TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN DEBTOR AND SECURED PARTY HEREUNDER SHALL BE LITIGATED IN COURTS HAVING SITUS WITHIN THE CITY OF CHICAGO, STATE OF ILLINOIS; PROVIDED THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT SECURED PARTY'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. DEBTOR AND SECURED PARTY HEREBY CONSENT AND SUBMIT TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURTS LOCATED WITHIN CHICAGO, ILLINOIS. DEBTOR AND SECURED PARTY HEREBY WAIVE ANY RIGHT EITHER OF THEM MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY LITIGATION BROUGHT AGAINST EITHER PARTY AGAINST THE OTHER IN ACCORDANCE WITH THIS PARAGRAPH.

14. **Waiver of Jury Trial and Punitive Damages.** SECURED PARTY AND DEBTOR IRREVOCABLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, COUNTERCLAIM OR PROCEEDING (A) TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith, OR THE RELATIONSHIP OF THE PARTIES HERETO OR (B) ARISING FROM ANY DISPUTE OR CONTROVERSY IN

CONNECTION WITH OR RELATED TO THIS AGREEMENT, ANY SUCH AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT, OR THE RELATIONSHIP OF THE PARTIES HERETO, AND AGREE THAT ANY SUCH ACTION, SUIT, COUNTERCLAIM OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. SECURED PARTY AND DEBTOR AGREE THAT THEY WILL NOT ASSERT, AND EACH HEREBY WAIVES, ANY CLAIM AGAINST THE OTHER ON ANY THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES.

15. **Entire Agreement.** The recitals are a part of this Agreement, which together with the Note and any other agreement referenced herein or therein constitute the entire and complete agreement between Secured Party and Debtor concerning the subject matter hereof, and supersedes any and all prior agreements. There are no other oral or written representations, warranties, understandings or agreements between Secured Party and Debtor relating to their subject matter. No amendment, change or variance from this Agreement shall be binding on either Debtor or Secured Party unless mutually agreed to by the parties and executed by their authorized officers in writing.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

[CD AFFILIATE]

[DEBTOR/FRANCHISEE]

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT G-3
PERSONAL GUARANTY

G-3-1

PERSONAL GUARANTY

THIS GUARANTY is made this _____ day of _____, 20__, by and between [CD affiliate for the CD store to be purchased] ("CD Affiliate") and the undersigned.

NOW IT IS HEREBY AGREED AS FOLLOWS:

In consideration of CD Affiliate's entering into the Subordinated Promissory Note dated _____, 20__ (the "**Note**"), each of the undersigned and any other parties who sign counterparts of this Guaranty (referred to herein individually as a "**Guarantor**" and collectively as "**Guarantors**") hereby personally and unconditionally guarantees to CD Affiliate and its successors and assigns full and prompt performance by Maker (as defined in the Note) of all its obligations under the Note or otherwise arising in connection with the purchase of the CD One Price Cleaners® store from CD Affiliate (the "**Store**") and the due and punctual payments of all sums payable at any time or times under the Note or otherwise in connection with the purchase of the Store (collectively, the "**Obligations**"), when and as the same shall become due and undertakes with CD Affiliate that if and each time that Maker shall be in default of the payment of any sum whatsoever under the Note, each Guarantor will, on written demand from CD Affiliate, make good the default and perform all Obligations and pay all sums which may become payable under the Note as if the Guarantor(s) instead of Maker were therein expressed to assume the primary obligation therefor, together with interest thereon at the rate per annum from time to time payable thereunder until payment of such sums in full. The liability of the undersigned shall not be contingent or conditioned upon pursuit by CD Affiliate of any remedies against Maker or any other person.

Without CD Affiliate's prior written consent, no Guarantor shall directly or indirectly create, incur, assume or otherwise become liable with respect to any Liabilities (as defined below) that, individually or in the aggregate, exceed One Hundred Thousand Dollars (\$100,000). If any Guarantors are husband and wife, then the One Hundred Thousand Dollar (\$100,000) limit shall apply to both of them collectively, not individually. "**Liabilities**" means any indebtedness for borrowed money, notes and accounts payable (including, without limitation, trade payables), and other obligations and liabilities of any kind whatsoever, whether or not relating to the Store, and whether absolute or contingent, matured or unmatured, excluding only (a) Liabilities to CD Affiliate or its affiliates arising under the franchise agreement between Cleaners Depot Franchise, LLC and Maker under which Maker operates the Store, the Note or any other agreement between Maker and CD Affiliate or any of its affiliates; and (b) Liabilities which were incurred prior to the date hereof the amounts of which were disclosed to CD Affiliate prior to the date hereof. Upon request from CD Affiliate from time to time, each Guarantor shall certify to, and provide CD Affiliate evidence, supporting documentation and other information (including, without limitation, financial statements and tax returns of any Guarantor) that CD Affiliate periodically requests relating to, the amount of the Liabilities and the financial condition of the Guarantor. CD Affiliate shall have the right, from time to time during normal business hours but without notice to Guarantor, to inspect, audit and copy any of Guarantor's books and records pertaining to any Liabilities. CD Affiliate also shall have the right, and each Guarantor hereby authorizes CD Affiliate, from time to time (but not more than twice during any period of twelve

(12) consecutive months), to obtain from credit reporting agencies any credit reports, consumer reports and other reports and information relating to that Guarantor's credit history to determine that Guarantor's creditworthiness and compliance with this paragraph and for other purposes permitted by law. Each of the Guarantors understands that credit inquiries have the potential to impact that Guarantor's credit score.

Each of the Guarantors waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the Guarantors may have against Maker arising as a result of the Guarantor's execution of and performance under this Guaranty, for the express purpose that none of the Guarantors shall be deemed a "creditor" of Maker under any applicable bankruptcy law with respect to Maker's obligations to CD Affiliate; (ii) all rights to require CD Affiliate to proceed against Maker for any payment required under the Note, proceed against or exhaust any security from Maker, take any action to assist any of the Guarantors in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Maker; (iii) any benefit of, any right to participate in, any security now or hereafter held by CD Affiliate; and (iv) acceptance and notice of acceptance by CD Affiliate of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled. CD Affiliate shall have no present or future duty or obligation to any Guarantor under this Guaranty, and each of the Guarantors waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Maker, any other guarantor, or any collateral securing any obligations of Maker to CD Affiliate. Without affecting the obligations of the undersigned under this Guaranty, CD Affiliate may, without notice to the Guarantors, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Note or any indebtedness or obligation of Maker, or settle, adjust, release, or compromise any claims against Maker or any other guarantor, make advances for the purpose of performing any obligations of Maker under the Note, assign the Note or the right to receive any sum payable under the Note, and the Guarantors each hereby jointly and severally waive notice of same. The Guarantors expressly acknowledge that the obligations hereunder survive the expiration or termination of the Note.

In addition, the Guarantors each waive any defense arising by reason of any of the following: (a) any disability or any counterclaim or right of set-off or other defense of Maker, (b) any lack of authority of Maker with respect to the Note, (c) the cessation from any cause whatsoever of the liability of Maker, (d) any circumstance whereby the Note shall be void or voidable as against Maker or any of Maker's creditors, including a trustee in bankruptcy of Maker, by reason of any fact or circumstance, (e) any event or circumstance that might otherwise constitute a legal or equitable discharge of the Guarantor's obligations hereunder, except that the Guarantors do not waive any defense arising from the due performance by Maker of the terms and conditions of the Note, (f) any right or claim of right to cause a marshaling of the assets of Maker or any other guarantor, and (g) any act or omission of Maker.

Each Guarantor consents and agrees that:

(a) such Guarantor's direct and immediate liability under this Guaranty shall be joint and several not only with Maker but also among the Guarantors;

(b) such Guarantor shall render any payment or performance required under the Note upon written demand; and

(c) such liability shall not be diminished, relieved or otherwise affected by time, credit or other indulgence which CD Affiliate may from time to time grant to Maker or to any other person, including, without limitation, the acceptance of any partial payment of performance; any security held or taken at any time by CD Affiliate being void, defective or informal; any modification or addition to or termination of, the obligations of Maker referred to above; or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until all sums payable by and all obligations of Maker referred to above have been irrevocably paid and discharged in full and the undersigned Guarantors shall have been released in full from this Guaranty in writing executed by a duly authorized officer of CD Affiliate.

If CD Affiliate is required to enforce this Guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, it shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If CD Affiliate is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors shall reimburse CD Affiliate for any of the above-listed costs and expenses it incurs.

Each of the undersigned Guarantors represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of the Guarantor's marital estate.

Notwithstanding the arbitration provisions of the Franchise Agreement between Cleaners Depot Franchise, LLC and Maker pursuant to which Maker will operate the Store, which the parties acknowledge and agree shall not apply to any actions arising under this Guaranty or the Note or otherwise as a result of the relationship between CD Affiliate and the undersigned hereunder or thereunder, each of the undersigned Guarantors agrees that all actions arising under this Guaranty or the Note or otherwise as a result of the relationship between CD Affiliate and the undersigned hereunder or thereunder, must be commenced in the state or federal court in Chicago, Illinois, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that CD Affiliate may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled.

All controversies, disputes or claims arising from or relating to this Guaranty or the validity, enforceability or interpretation hereof shall be governed by the laws of the State of Illinois, without regard to its conflicts of laws principles. GUARANTOR IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, RELATING TO THIS GUARANTY.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his or her signature on the same day and year as the Note was executed.

Print Name:_____

Print Spouse's Name:_____

Signature:_____

Signature:_____

Print Name:_____

Print Spouse's Name:_____

Signature:_____

Signature:_____

EXHIBIT G-4
CONFESSION OF JUDGMENT

G-4-1

**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, LAW DIVISION**

[_____],	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No.
	)	
[_____],	)	
	)	
	)	
Defendants.	)	

CONFESSION OF JUDGMENT

Defendants [_____] and [_____] hereby state as follows:

1. Defendants executed a Promissory Note ("Note") in Cook County, Illinois on _____, 20__.

2. Defendants hereby waive service of process in this cause and unconditionally, irrevocably and absolutely consent and submit to the jurisdiction of this Court for all purposes necessary for the entry of judgment against them.

3. Defendants confess that there is due from Defendants, jointly and severally, to [_____] ("Creditor") a bona fide debt under the Note in the amount of [_____] (\$_____), plus interest on the unpaid balance at the rate of the prime rate plus [____%], less any payments made by Defendants to Creditor pursuant to the Note.

4. Defendants agree that judgment may be entered against them for the total amount reflected in paragraph 3 above, in addition to the costs incurred by Creditor in connection with this action, including, but not limited to, attorneys' fees.

5. All errors, claims, defenses, offsets, recoupments or counterclaims, including any which may intervene after the execution hereof and before the entry of an Order For Judgment against Defendants, are hereby released.

6. The Note does not involve an instrument used in a sale, lease, assignment, loan, or other disposition of an item of goods, a consumer service, or an intangible to an individual for purposes that are primarily personal, family, or household.

7. Defendants consent to the immediate enforcement of an Order For Judgment.

DEFENDANT

[_____]

Individually

By: _____

Its: _____

Sworn to before me this
_____ day of _____, 20__

Sworn to before me this
_____ day of _____, 20__

Notary Public

Notary Public

ORDER FOR JUDGMENT

IT IS HEREBY ORDERED that Plaintiff Cleaners Depot Franchise, LLC recovers from Defendants [_____] and [_____] jointly and severally, the amount of [_____] (\$_____), plus interest on the unpaid balance at the rate of the prime rate plus [_____%], less any payments made by Defendants to [_____] pursuant to the Note. Execution may issue.

ENTERED:

EXHIBIT H
LIST OF FRANCHISEES

LIST OF FRANCHISEES
As of December 31, 2021

Illinois

Monica Mirelez
960 E. Northwest Highway
Arlington Heights, Illinois 60004
T: (847) 797-8711
F: (847) 797-8713

Monica Mirelez
2812 S 17th Avenue, Unit B
Broadview, IL 60155
708-584-1004

Timothy P. Darville II
6600 W. North Avenue
Chicago, Illinois 60607
T: (773) 637-7837
F: (773) 637-0772

Mr. Pankaj Patel
2200 S. Michigan Ave
Chicago, IL 60616
(312) 808-1195

Mr. Pankaj Patel
2815 N. Broadway
Chicago, IL 60657
(773) 296-0834

Jwalit Patel
10323 S. Pulaski Road
Chicago, IL 60655
773-779-9348

Pinakin Patel
567 W. 14th Street
Chicago Heights, IL 60411
(708) 283-2675

Pinakin Patel
4015 W. 167th Street
Country Club Hills, IL 60478
(708) 647-1066

Kathryn Tecza
5765 Northwest Highway
Crystal Lake, IL 60014
815-356-1415

Tom Simonian
2425 75th Street Unit B.
Darien, IL 60561
T: (630) 910-6715

Ms. Kathryn Tecza
190 N. Waukegan Road
Deerfield, Illinois 60015
847-964-9767

Vic and Arpita Dewanjee
640 W. Ogden Avenue
Downers Grove, Illinois 60515
T: (630) 322-7944
F: (630) 322-7945

Steve Lou
386 Roosevelt Road
Glen Ellyn, Illinois 60137
T: (630) 942-0686
F: (630) 942-0684

Waseem Akhtar
7306 N. Barrington Road
Hanover Park, Illinois 60133
T: (630) 289-7464
F: (630) 289-7468

Pinakin Patel
17705 S. Torrence Ave
Lansing, IL 60438
(708) 474-0948

Vic and Arpita Dewanjee
153 N. Milwaukee Avenue
Libertyville, Illinois 60048
T: (630) 322-7944

Esmeralda Martinez
3320 W. Devon Avenue
Lincolnwood, Illinois 60712
T: (847) 763-9311
F: (847) 763-9312

Judy Kanchanasiripat
Doug Hathaway
1023 Maple Ave.
Lisle, Illinois 60532
(630) 434-2541

Judy Kanchanasiripat
Doug Hathaway
215 E. Roosevelt Road
Lombard, IL 60148
(630)916-7911

John Stocchero and Toni Messina
6949 W. Dempster
Morton Grove, IL 60053
T: (847)583-1012

Tom and Bedsy Markuszewski
340 E. Ogden Avenue
Naperville, Illinois 60563
T: (630) 355-9345

Ben and Biaka Jensen
1592 W. Ogden Ave
Naperville, IL 60540
(630) 596-0299

Devang and Chaitali Kothari
7852 W. 159th Street
Orland Park, Illinois 60462
T: (708) 444-1658
F: (708) 444-1586

Jwalit Patel
38 E Golf Rd, Suite A
Schaumburg, Illinois 60193
630-237-4563

Fermin Carrasco
314 N. Northwest Highway
Palatine, IL 60067
(847) 991-7720

Richard and Marsha Hall
2123 IL Rte. 59
Plainfield, Illinois 60586
T: (815) 577-9108

Jwalit Patel
350 E. 162nd Street
South Holland, IL 60473
708-333-8272

Tom Simonian
2110 Prairie Street
St. Charles, Illinois 60174
630-549-6142

Kathryn Tecza
5555 S. Brainard
Countryside, IL
(708) 588-1980

Pankaj Patel
2955 N. Ashland Ave
Chicago, IL 60657
(773) 935-2003

Jwalit Patel
1387 Lee St.
Des Plaines, IL 60018
(847) 296-5200

Jwalit Patel
5946 W. Touhy
Niles, IL 60714
(847) 647-7050

Monica Mirelez
1240 Dundee
Palatine, IL
T: (847) 963-9541

Devang and Chaitali Kothari
20930 South La Grange Road, Suite A
Frankfort, Illinois 60423
T:779-333-7584

Indiana

Monica Mirelez
7948 Calumet Avenue
Munster, IN 46321
T: (219) 513-0853

Missouri

Mr. Pinakin Patel
2590 S. Brentwood Blvd
Brentwood, MO 63144
(314) 778-9559

EXHIBIT I

STATE-SPECIFIC ADDITIONAL DISCLOSURES AND RIDERS

NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDITIONAL DISCLOSURES FOR THE
MULTISTATE FRANCHISE DISCLOSURE DOCUMENT OF
CLEANERS DEPOT FRANCHISE, LLC**

The following are additional disclosures for the Multistate Franchise Disclosure Document of Cleaners Depot Franchise, LLC required by various state franchise laws. A particular state's disclosures only apply if you are covered by that state's franchise law.

ILLINOIS

1. The following language is added to the end of Item 5 of the Franchise Disclosure Document:

Due to our financial condition, the Illinois Attorney General's Office requires us to defer payment of the initial franchise fee until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you have begun operating your Store.

MINNESOTA

1. **Trademarks.** The last sentence of the last paragraph of Item 13 is deleted and replaced with the following:

Despite the foregoing, if you have complied with the Franchise Agreement and all of our requirements that apply to the Proprietary Marks, we will indemnify and defend you against any loss, costs, or expenses arising out of any claims, suits, or demands regarding your authorized use of the Proprietary Marks, in accordance with Minn. Stat. Sec. 80C.12, Subd. 1(g), if you have timely notified us of the claim, suit or demand and comply with our reasonable directions in responding to the claim, suit or demand.

2. **Renewal, Termination, Transfer and Dispute Resolution.** The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by the Minnesota Franchises Law.

Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE CLEANERS DEPOT FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider to the Franchise Agreement ("**Rider**") with an effective date of _____, 20____, (the "**Effective Date**"), is made by and between Cleaners Depot Franchise, LLC, a Nevada limited liability company, with its principal place of business at 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154 ("**Franchisor**"), and _____ with its principal place of business at _____ ("**Franchisee**").

1. **Background.** Franchisor and Franchisee are parties to that certain Franchise Agreement effective as of _____, 20__ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Store that Franchisee will operate under the Franchise Agreement will be located in Illinois, and/or (b) Franchisee is domiciled in Illinois.

2. **Initial Fees.** Section 4.1 of the Franchise Agreement is deleted and replaced with the following:

Due to Franchisor's financial condition, the Illinois Attorney General's Office requires Franchisor to defer payment of the initial franchisee fee. Accordingly, Franchisee must pay Franchisor an initial franchise fee in the amount set forth on Exhibit A on the first date upon which Franchisor has completed its initial pre-opening obligations to Franchisee under this Agreement and Franchisee has opened and begun operating the Store. The initial franchise fee shall be deemed fully earned and non-refundable when paid.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rider on the day and year first above written.

FRANCHISOR:

**CLEANERS DEPOT FRANCHISE,
LLC**, a Nevada limited liability company

By: _____

Rafiq Karimi
Manager

FRANCHISEE:

**(IF CORPORATION, LIMITED
LIABILITY COMPANY OR
PARTNERSHIP):**

[Name]

By: _____

Its: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

**RIDER TO THE CLEANERS DEPOT FRANCHISE, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

This Rider to the Franchise Agreement (“**Rider**”) with an effective date of _____, 20____, (the “**Effective Date**”), is made by and between Cleaners Depot Franchise, LLC, a Nevada limited liability company, with its principal place of business at 2205 Enterprise Drive, Suite 502, Westchester, Illinois 60154 (“**Franchisor**”), and _____ with its principal place of business at _____ (“**Franchisee**”).

1. **Background.** Franchisor and Franchisee are parties to that certain Franchise Agreement effective as of _____, 20__ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Store that Franchisee will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **Releases.** The following is added to the end of Sections 2.2 and 12.3.3 of the Franchise Agreement:

; however, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **Renewal and Termination.** The following is added to the end of Sections 2.2 and 13.4 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

4. **Proprietary Marks.** The following is added to the end of Sections 7.1.8 and 7.1.9 of the Franchise Agreement:

Despite the foregoing, if Franchisee has complied with the Franchise Agreement and all of Franchisor’s requirements that apply to the Proprietary Marks, Franchisor will indemnify and defend Franchisee against any loss, costs, or expenses arising out of any claims, suits, or demands regarding Franchise’s authorized use of the Proprietary Marks, in accordance with Minn. Stat. Sec. 80C.12, Subd. 1(g), if Franchisee has timely notified Franchisor of the claim, suit or demand and complies with Franchisor’s reasonable directions in responding to the claim, suit or demand.

5. **Governing Law.** The following is added to the end of Section 23.1 of the Franchise Agreement:

However, nothing in this Agreement shall abrogate or reduce any of Franchisee's rights under Minnesota Statutes Chapter 80C or Franchisee's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **Consent to Jurisdiction.** The following is added to the end of Subsection 23.3 of the Franchise Agreement:

However, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in this Agreement shall abrogate or reduce any of Franchisee's rights under Minnesota Statutes Chapter 80C or Franchisee's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **Limitation of Adjudicative Proceedings.** If required by the Minnesota Franchises Law, the second sentence of Section 23.5 of the Franchise Agreement is deleted.

8. **Limitations of Claims.** The following is added to the end of Section 23.6 of the Franchise Agreement:

However, Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rider on the day and year first above written.

FRANCHISOR:

CLEANERS DEPOT FRANCHISE,
LLC, a Nevada limited liability company

By: _____

Rafiq Karimi

Manager

FRANCHISEE:

**(IF CORPORATION, LIMITED
LIABILITY COMPANY OR
PARTNERSHIP):**

[Name]

By: _____

Its: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

CLEANERS DEPOT FRANCHISE, LLC

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Cleaners Depot Franchise, LLC (“we,” “us,” or “our”) and the undersigned franchisee, _____ (“you” or “your”), currently are parties to _____ (____) Franchise Agreements (the “Franchise Agreements”) dated _____ for the operation of CD ONE PRICE CLEANERS® Businesses in _____ and _____. You have asked us to take the following action or to agree to the following request: (1) **To allow _____, one of your current owners, to transfer ____ ownership interest in you to _____ and/or _____, your other current owners, and to withdraw from any further involvement with Franchisee, and (2) except for the confidentiality, non-competition, and dispute resolution provisions in the Franchise Agreements (to which _____ will remain bound), to release _____ from the Guaranty and Assumption of Obligations with respect to all claims arising or accruing after the date of this consent..** We have the right under the Franchise Agreements to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our current and former officers, directors, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “_____ Parties”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now have, ever had, or, but for this document, hereafter would or could have against any of the _____ Parties (1) arising out of or related to the _____ Parties’ performance of their obligations under the Franchise Agreements before the date of your signature below or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the _____ Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the _____ Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your transferring owners likewise grant to us the release and covenant not to sue provided above.

[Signature Page Follows]

CLEANERS DEPOT FRANCHISE, LLC,
A Nevada limited liability company

FRANCHISEE:

By:_____

By:_____

Title:_____

Title:_____

Date:_____

Date:_____

[Signature]

Date:_____

[Signature]

Date:_____

[Signature]

Date:_____

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
Illinois	April 26, 2022
Indiana	April 25, 2022
Minnesota	Pending

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.

Item 23

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 we offer you a franchise, we 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 requires 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.

If we do 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 appropriate state agency identified on Exhibit A.

The franchisor is Cleaners Depot Franchise, LLC, located at 2205 Enterprise Drive, Suite 502, Westchester, Illinois, 60154. Its telephone number is 1-888-253-2613

Issuance Date: April 25, 2022, as amended February 21, 2023

The name, principal business address, and telephone number of the franchise seller offering the franchise is Tom Ryan, 2205 Enterprise Drive, Suite 502, Westchester, Illinois, 60154, (708) 836-4615 and

We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular state.

I received a disclosure document from Cleaners Depot Franchise, LLC dated April 25, 2022, as amended February 21, 2023, that included the following Exhibits:

- | | | | |
|-----|--|-----|--|
| A | List of State Administrators/Agents for Service of Process | E | Financial Statements |
| B-1 | Franchise Agreement | F | Table of Contents to Manual |
| B-2 | Renewal Addendum | G-1 | Promissory Note |
| B-3 | Satellite Store Addendum | G-2 | Security Agreement |
| C-1 | Letter of Intent | G-3 | Personal Guaranty |
| C-2 | Asset Purchase Agreement | G-4 | Confession of Judgment |
| D | Sublease | H | List of Franchisees |
| | | I | State-Specific Additional Disclosures and Riders |

Date
(Date, Sign and Return to Us)

Prospective Franchisee Signature

Print Name

Item 23

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 we offer you a franchise, we 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.

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| C-2 | Asset Purchase Agreement | G-4 | Confession of Judgment |
| D | Sublease | H | List of Franchisees |
| | | I | State-Specific Additional Disclosures and Riders |

Date
(Date, Sign and Keep for Your Own Records)

Prospective Franchisee Signature

Print Name