

## 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 and, in some cases, pickup and delivery services.

The total investment necessary to begin operation of a full production/plant CD One Price Cleaners Store ranges from \$903,225 to \$1,351,850 for a standard plant store and from \$1,984,875 to \$3,070,650 for a larger plant store. This includes \$30,000 to \$32,500 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 \$108,275 to \$375,450. This includes \$6,000 to \$15,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation under our Development Rights Agreement ranges from \$15,000 to \$70,000. This includes \$10,000 to \$50,000 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 One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181, (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](http://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: May 22, 2024

## 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	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 G.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only CD ONE PRICE CLEANERS business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a CD ONE PRICE CLEANERS franchisee?</b>	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 Oakbrook Terrace, 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 and their spouse(s) 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, the Sublease (Exhibit D) also will apply to your owner(s) and their spouse(s).

We are a Nevada limited liability company organized on February 10, 2005. Our principal business address is One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181. 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 and equipment; 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. Cleaners Depot Lease Operations, LLC (“CD Lease Operations”) is our affiliate who subleases some CD Stores to existing franchisees. If you buy one of those CD Stores from the franchisee, and CD Lease Operations agrees (at its option) to remain on the prime lease, it will sublease the Store to you under the Sublease. CD Lease Operations will not sign prime leases or subleases for new CD Stores. Clean on Wheels, LLC (“COW”) is our affiliate who provides technology and related services to franchisees under the pickup and delivery services program and the PUD Addendum (defined below). CD Lease Operations’ and COW’s principal business address is the same as our address and they have never offered franchises in any line of business or operated CD Stores. We have no predecessors or parents, and except for CD Lease Operations and COW, we have no affiliates that offer franchises in any line of business or provide products or services to franchisees.

## **Franchising Program**

We currently have 2 different models of CD Stores. “Plant Stores” are CD Stores that contain dry cleaning machines, pressing equipment and related equipment that we specify (collectively, the “Dry Cleaning Equipment”) and offer on-premises dry cleaning at the CD Store. Each of our franchisees must operate, or have an affiliate who operates, at least one Plant Store. “Satellite Stores” are 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. 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”) (unless the Plant Store Operator and the Satellite Store Operator are the same business entity). 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-2) together with the Franchise Agreement. 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 require each new Plant Store to offer a pickup and delivery services program (as we may periodically modify it, collectively, the “PUD Services”) from the Plant Store. When you sign the Franchise Agreement for a new Plant Store, you will also sign the “PUD Addendum” (Exhibit B-3) that covers the PUD Services. You may advertise, market, offer and provide PUD Services only in the geographic area identified in the PUD Addendum (the “PUD Territory”).

We currently offer certain benefits to our franchisees who had operating Plant Stores as of December 31, 2023. We call these Plant Stores the “Legacy Plant Stores.” If you currently operate a Legacy Plant 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-4) together with the Franchise Agreement. If you are signing the Renewal Addendum, we will identify the required upgrades, repairs, improvements and refurbishments you must make to the Store, and the timeframes within which you must make them, in an exhibit to the Renewal Addendum before we and you sign it. In addition, when you sign the Renewal Addendum you will have the option to sign the PUD Addendum to offer PUD Services from your Legacy Plant Store, but we currently will not require you to do so.

If you buy an operating Legacy Plant Store from one of our franchisees, then you will have the option to sign the PUD Addendum to offer PUD Services from the Legacy Plant Store you are buying, but we currently will not require you to do so.

We also grant multi-unit area development rights to qualified franchisees, who then have the right and obligation to develop a specified number of Plant Stores and Satellite Stores within a defined area over a specific time period according to a pre-determined development schedule. These franchisees will sign our “Development Rights Agreement” (Exhibit C). You or your Affiliated Entity (defined below) will sign our then current form of franchise agreement and related documents for each CD Store developed under the Development Rights Agreement, except that the royalty fee under that franchise agreement will not exceed the royalty listed in Item 6 (without

considering the Incentive Program (defined below) or other temporary discounts). “Affiliated Entity” means a corporation, limited liability company, or other business entity of which you or one or more of your majority owners own at least 51% of the total authorized ownership interests, but only if you or the owner(s) have the right to control the entity’s management and policies. Franchises that we grant to your Affiliated Entities will count toward your development schedule.

We are currently testing various new programs and initiatives for the CD Store network to address competitive pressures in the market. Some of these new programs and initiatives include or might include corporate office programs, cleaning services for new items, alterations, new pricing models (including subscription models), lockers, merchandising displays, convenience features, and other upgrades, and potentially new brands. Although we have not yet finalized our final plans for these new programs and initiatives, including for whether we decide to move forward with the program or initiative at all, if you sign a Franchise Agreement, you will need to implement at the Store any of those programs and initiatives that we determine are required for similarly situated CD Stores.

### **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 and Oakbrook Terrace, 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 and Oakbrook Terrace, 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.

**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 a Franchise Agreement for a Satellite Store in 2024 and open your Satellite Store on or before December 31, 2024, then you qualify for our “Satellite Store Incentive Program” and your initial franchise fee is \$6,000. 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. You will not pay any initial franchise fee or renewal fee if you are signing the Renewal Addendum for your Legacy Plant Store. 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.

If you open a new CD store, 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. If you are acquiring an existing CD Store, you (or the selling franchisee) must pay our training fee of \$100 per day, as reflected in the selling franchisee's franchise agreement. 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.

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.

#### Development Rights Agreement

If you sign the Development Rights Agreement, you will pay a lump sum development fee when you sign that agreement. The development fee is \$5,000 multiplied by the number of CD Stores that you agree to develop. The development fee is non-refundable, but we will apply \$5,000 of that fee toward the initial franchise fee owed for each CD Store you or an Affiliated Entity develops under the Development Rights Agreement. We describe our current initial franchise fee structure above. If the initial franchise fee owed under a franchise agreement is less than \$5,000, then we will refund the difference to you or the applicable Affiliated Entity upon signing the franchise agreement.

#### Range of Initial Fees

For Franchise Agreements signed during 2023, we charged each franchisee a \$4,000 initial fee to operate a new Satellite Store under an incentive program in place during 2023.

**Item 6**

**OTHER FEES**

**Franchise Agreement (Store), Sublease and Development Rights Agreement**

You will pay us the following fees relating to standard CD Store operations (whether a Plant Store or a Satellite Store) under the Franchise Agreement and, as indicated, relating to your business under the Development Rights Agreement. If you sign a Sublease to sublease the Store's premises from CD Lease Operations, you will pay fees under the Sublease to it.

Column 1 Type of fee <sup>(1)</sup>	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty	Typically 6.5% of Gross Revenues <sup>(2)</sup> , but under the Satellite Store Incentive Program you will pay 3.5% of Gross Revenues for the Satellite Store's first 12 months of operation if you open in 2024	Weekly on the day of the week we specify	You might be eligible for a royalty rebate of 1% of Gross Revenues <sup>(3)</sup> . If you previously developed your Legacy Plant 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 <sup>(2)</sup>	Weekly on the day of the week we specify	
Cooperative advertising <sup>(4)</sup>	Amount advertising Cooperative members establish, up to 2% of Gross Revenues <sup>(2)</sup>	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	
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

Column 1 Type of fee <sup>(1)</sup>	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Transfer fee	For control transfers, \$5,000 if transferee is a CD Store franchisee or you introduce transferee to opportunity, \$9,000 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 us a non-refundable initial payment of \$1,000 when you submit an LOI, 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, Development Rights 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 or your business under the Development Rights Agreement
Audit expenses	Cost of audit and interest	As incurred	Due only if our audit reveals an understatement of 2% or more
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

Column 1 Type of fee <sup>(1)</sup>	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
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
Sublease occupancy costs <sup>(5)</sup>	Specified in the prime lease; about \$5,500 to \$10,000 per month plus common area maintenance charges (See Note 5)	Monthly in advance	Payable to CD Lease Operations only if you acquire a store owned by another franchisee that is on a Sublease and CD Lease Operations agrees to continue as sublandlord

### **Franchise Agreement (PUD Services)**

If you sign the PUD Addendum to provide PUD Services from your Store, you will pay us the following additional fees under the Franchise Agreement and PUD Addendum, except for the technology fee, which you currently will pay to COW. You will also pay the royalties, Marketing Fund contributions and other relevant fees under the Franchise Agreement based on the Gross Revenues that PUD Services generate (which, to be clear, does not reflect a deduction for any fees or costs associated with providing the PUD Services) (“Gross PUD Revenues”).

Column 1 Type of fee <sup>(1)</sup>	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Marketing Fund contribution – Customer Acquisition Payments	3.5% of Gross PUD Revenues	Weekly on the day of the week we specify	These payments are contributions to the Marketing Fund. We may change these methods of calculating and paying this fee for you and all similarly situated CD Store franchisees upon 60 days' notice
Marketing Fund contribution – Customer Development and Retention Payments	2% of Gross PUD Revenues	Weekly on the day of the week we specify	These payments are contributions to the Marketing Fund
Technology Fee	5% of Gross PUD Revenues	Weekly on the day of the week we specify	We may change these methods of calculating and paying this fee for you and all similarly situated CD Store franchisees upon 60 days' notice
Non-Standard Customer Fee <sup>(6)</sup>	Currently \$50 per hour, plus expenses (including any required payments to POS system licensor and other vendors), but could increase if costs increase	As incurred	Covers our costs to review Non-Standard Customer (defined below) opportunity and changes to the Order Processing System (defined below) (See Note 6)
Referral Fee <sup>(7)</sup>	Amount we or COW negotiates with Referral Source (defined below), but will not be more than 5% of Gross PUD Revenue from the Referral Source customers	As incurred	See Note 7
Customer success management payments <sup>(8)</sup>	Amounts we specify to address customer issues, but will not be more than \$25 per customer per order	As incurred	See Note 8

## 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 PUD Addendum 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.

Note 6: We will develop, and may periodically modify, standard terms and conditions under which you and certain other CD Stores will provide PUD Services to customers, including delivery schedules and various suggested discounts, coupons and promotions that we periodically implement (collectively, the “Standard Terms”). “Standard Customers” means customers who enroll through the Order Processing System (defined below) for PUD Services provided under the Standard Terms, and “Non-Standard Customers” means customers who enroll through the Order Processing System for PUD Services provided under terms that differ in any way from the Standard Terms offered to Standard Customers. If you want to provide PUD Services to any Non-Standard Customer, you must give us and COW the information we periodically request concerning the customer, the locations at which you would be providing PUD Services, and any proposed variations to the Standard Terms. You must pay us and COW a reasonable fee to cover costs associated with reviewing the Non-Standard Customer opportunity and, if applicable, any changes that need to be made to the Order Processing System at your request to address the requirements of the Non-Standard Customer.

Note 7: We or COW may, at our sole option, negotiate with property managers for apartment or condominium buildings and other referral sources who represent, purport to represent or otherwise have relationships with any group of Standard Customers or approved Non-Standard Customers for PUD Services in the PUD Territory (collectively, “Referral Sources”). You must pay to the Referral Source (or us for payment to the Referral Source) all referral fees and other

amounts that we or COW reasonably agree to pay to Referral Sources for referrals or otherwise to gain access to these customers. However, we will not require a referral fee that exceeds 5% of the Gross PUD Revenue generated from the customers whom the Referral Source represents.

Note 8: We or our designee will manage and (at our option) address questions, concerns, inquiries, or issues from customers concerning the PUD Services, the customer’s individual account, the Order Processing System, payment issues, customer service concerns, and other issues that customarily arise in order to support customer acquisition and retention for PUD Services. We may communicate directly with your employees and prospective and existing customers and may, at our option and your expense, address any customer complaints and customer satisfaction issues that arise from any orders or your PUD Services. You must abide by our customer service resolution agreements and decisions, including refunds or credit amounts for customer retention purposes, but we will not (without your consent) provide a refund or credit of more than \$25 per customer per order.

**Item 7**

**ESTIMATED INITIAL INVESTMENT**

**Franchise Agreement**

**YOUR ESTIMATED INITIAL INVESTMENT  
Plant Stores With PUD Services**

(1) Type of expenditure	(2) Amount for a Standard Plant Store	(2) Amount for a Larger Plant Store	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Franchise fee <sup>(1)</sup>	\$30,000	\$30,000	Lump sum or installments	Upon signing your Franchise Agreement	Us
Travel and living expenses while training <sup>(2)</sup>	\$400 to \$8,000	\$400 to \$8,000	As arranged	As incurred	Suppliers of transportation, food and lodging
Real estate services and costs (including 3 months’ occupancy costs and security deposit) <sup>(3)</sup>	\$32,000 to \$44,000	\$60,000 to \$120,000	As arranged	As specified in lease or sublease	Lessor or sublessor
Advertising <sup>(4)</sup>	\$15,000 to \$22,500	\$15,000 to \$22,500	Lump sum	Before opening	Us

(1) Type of expenditure	(2) Amount for a Standard Plant Store	(2) Amount for a Larger Plant Store	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Start-up inventory, supplies, pickup and delivery initial supplies and store set-up	\$39,100 to \$45,000	\$41,000 to \$47,000	As arranged	Before opening	Suppliers
Construction, leasehold improvements and decorating costs <sup>(5)</sup>	\$125,000 to \$170,000	\$300,000 to \$500,000	Installments	Before opening	General contractor and suppliers
Fixtures, fixed assets, equipment, Computer System and initial POS software license fee <sup>(6)</sup>	\$555,000 to \$647,000	\$730,000 to \$890,000	Lump sum	Before opening	Various supplier including the POS vendor
Auto Assembly and Conveyor System including installation and setup	N/A	\$550,000 to \$650,000	Lump sum	Before opening	Suppliers
Kiosk System equipment, install and setup <sup>(7)</sup>	\$0 to \$160,000	\$0 to \$160,000	Lump sum	Before opening	Supplier
Signage (Exterior and interior signage, pickup and delivery vehicle branding and other signage)	\$10,250 to \$28,000	\$10,250 to \$28,000	Lump sum	Before opening	Suppliers
Ongoing software maintenance and support <sup>(8)</sup>	\$4,750 to \$5,500	\$3,000 to \$7,500	As arranged	Annually	Suppliers
Transportation Vehicle <sup>(9)</sup>	\$10,000 to \$60,000	\$20,000 to \$125,000	As arranged	As needed	Suppliers
DSL or cable internet connection and email fee for 3 months	\$225 to \$750	\$225 to \$750	As arranged	As incurred, typically monthly	Suppliers
Uniforms	\$1,500 to \$2,100	\$1,500 to \$2, 400	Lump sum	See Item 5	Suppliers
Insurance <sup>(10)</sup>	\$5,000 to \$15,000	\$8,500 to \$18,500	As arranged	Before opening	Insurance company

(1) Type of expenditure	(2) Amount for a Standard Plant Store	(2) Amount for a Larger Plant Store	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Licenses and permits	\$3,500 to \$6,000	\$3,500 to \$20,000	Lump sum	Before opening	Requiring government entity
Utilities for 3 months, including any lease security deposits	\$6,000 to \$12,000	\$6,000 to \$25,000	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 <sup>(11)</sup>	\$60,000 to \$80,000	\$200,000 to \$400,000	As arranged	As needed	Us, employees or suppliers
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(12)</sup></b>	<b>\$903,225 to \$1,351,850</b>	<b>\$1,984,875 to \$3,070,650</b>			

Explanatory Notes for Plant Stores:

Note 1: 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 (or your affiliate's) Plant Store for additional training and pickup and delivery services training. If we extend the training period, you would also incur additional lodging and meal expenses.

Note 3: This estimate includes costs related to site evaluation, selection, lease negotiation, and 3 months' occupancy costs for a Plant 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 are typically located in high-traffic urban and suburban areas. Our "Standard Plant Store" typically occupies approximately 2,800 to 3,200 square feet of space with monthly occupancy costs ranging from \$6,000 to \$10,000. Our "Larger Plant Store" typically occupies approximately 6,000 to 10,000 square feet of space with monthly occupancy costs ranging from \$18,000 to \$40,000 per month. Costs could be higher in certain urban markets. The security deposit typically is 1 month's rent and is typically refundable if you comply with the lease during its term.

Note 4: This item includes new store advertising expenses for promotional handouts, direct mail, printed materials, outdoor billboard signage (if applicable), printed advertising included in multi-piece mailings, banner and if applicable, radio advertisements.

Note 5: This estimate assumes that the landlord contributes \$80,000 towards leasehold improvements for Standard Plant Stores, and \$250,000 towards leasehold improvements for Larger Plant Stores, in addition to the other work that any landlord work letter contemplates the landlord will perform at its expense. This is consistent with 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 estimated landlord's tenant improvement allowance and the value of work completed under the landlord work letter.

Note 6: This item includes the Dry Cleaning Equipment, laundry, pressing, and other equipment for Plant Stores, along with the Computer System (defined below) and related technology equipment. Larger Plant Stores may have additional equipment than a Standard Plant Store. 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, modem, printers, switches, internet connectivity, credit card terminals, wiring, network maintenance and other hardware and operating software (including Payment Card Industry ("PCI") compliance software (if not provided by the credit card processor directly) that we specify. This amount includes an optional in-store server cabinet. This item includes a point-of-sale ("POS") configuration fee paid to the POS vendor to integrate the Computer System to prepare for offering and managing PUD Services.

Note 7: The "Kiosk System" is a self-service system that is integrated with the Computer System. It partially automates the customer experience with functionality that provides for customer-directed garment drop off, credit card payments for services and automated garment retrieval at pickup. We currently do not require Plant Stores to have the Kiosk System, but if you choose to install one, we estimate the cost to range from \$100,000 to \$160,000.

Note 8: This item covers various software including antivirus software, network maintenance and the first year of software maintenance and support for the Store POS.

Note 9: This estimate covers costs for a vehicle to transport garments between a Plant Store and any associated Satellite Stores, along with providing residential PUD Services. This range includes an estimate for the cost to lease or purchase a vehicle. Plant Stores may require additional vehicles as they increase the number of Satellite Stores they are supporting or because of growth of the residential pickup and delivery business.

Note 10: This item estimates the premium payments due in the first 3 months of operation for the required insurance policies, including environmental pollution insurance. Some insurance policies require the payment of one full year of premium upfront. This estimate also includes the cost for commercial or personal vehicle insurance for PUD Services.

Note 11: 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, finished laundry and pickup and delivery services, the prevailing wage rate, competition, and the sales level that the Plant Store reaches during its initial start-up period after opening.

Note 12: 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 and offering pickup and delivery services since 2017 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.

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.

**YOUR ESTIMATED INITIAL INVESTMENT**  
**Satellite Stores**

(1) Type of expenditure	(2) Amount	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Franchise fee <sup>(1)</sup>	\$12,500 (but see Note 1)	Lump sum or installments	Upon signing your Franchise Agreement	Us
Travel and living expenses while training <sup>(2)</sup>	\$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) <sup>(3)</sup>	\$10,000 to \$20,000	As arranged	As specified in lease or sublease	Lessor or sublessor
Advertising <sup>(4)</sup>	\$10,000 to \$15,000	Lump sum	Before opening	Us
Start-up inventory, supplies and store set-up	\$5,000 to \$10,000	Lump sum	Before opening	Suppliers

(1) Type of expenditure	(2) Amount	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Construction, leasehold improvements and decorating costs <sup>(5)</sup>	\$10,000 to \$40,000	Installments	Before opening	General contractor and suppliers
Fixtures, fixed assets, equipment, Computer System and initial POS software license fee <sup>(6)</sup>	\$20,000 to \$40,000	Lump sum	Before opening	Suppliers
Kiosk System equipment, install and setup <sup>(7)</sup>	\$0 to \$160,000	Lump sum	Before opening	Supplier
Equipment and security system installation and set-up	\$3,000 to \$6,500	Lump sum	Before opening	General contractor and suppliers
Signage (exterior and interior signage, other signage)	\$7,500 to \$15,000	Lump sum	Before opening	Suppliers
Ongoing POS software and network maintenance and support <sup>(8)</sup>	\$4,000 to \$7,500	As arranged	Annually	Suppliers
DSL or cable internet connection and email fee for 3 months	\$225 to \$450	As arranged	As incurred, typically monthly	Suppliers
Uniforms	\$250 to \$500	Lump sum	See Item 5	Suppliers
Insurance <sup>(9)</sup>	\$4,000 to \$9,000	As arranged	Before opening	Insurance company
Licenses, permits and utilities for 3 months including any security deposits (if required)	\$1,100 to \$5,000	Lump sum	Before opening	Requiring government entity
Legal fees and other miscellaneous opening costs	\$5,500 to \$16,000	As arranged	As incurred	Suppliers
Additional funds for 3 months <sup>(10)</sup>	\$15,000 to \$30,000	As arranged	As needed	Us, employees or suppliers
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(11)</sup></b>	<b>\$108,275 to \$387,950</b>			

### Explanatory Notes for Satellite Stores:

Note 1: Item 5 contains more information about the initial franchise fee and the conditions for its refund, including our Satellite Store Incentive Program. 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 (or your affiliate's) Plant Store. If we extend the training period, you would also incur additional lodging and meal expenses.

Note 3: This estimate includes costs related to site evaluation, selection, lease negotiation, and 3 months' occupancy costs for the Satellite 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. Satellite Stores are typically located in high-traffic urban and suburban areas. A Satellite Store typically occupies approximately 700 to 1,100 square feet of space with monthly occupancy costs ranging from \$2,500 to \$5,000. Costs could be higher in certain urban markets. The security deposit typically is 1 month's rent and is typically refundable if you comply with the lease during its term.

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: This estimate assumes that the landlord contributes \$20,000 towards leasehold improvements for Satellite Stores, in addition to the other work that any landlord work letter contemplates the landlord will perform at its expense. This is consistent with 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 estimated landlord's tenant improvement allowance and the value of work completed under the landlord work letter.

Note 6: This item includes counters, signage, storage racks, drop box, the Computer System and other equipment. Satellite Stores will not have Dry Cleaning Equipment or laundry equipment. This amount includes an optional server cabinet.

Note 7: If you are developing a new Satellite Store that is associated with a Legacy Plant Store, then you have the option, but currently are not required, to install the Kiosk System. All other new Satellite Stores must install the Kiosk System. We estimate the cost to range from \$100,000 to \$160,000.

Note 8: This item covers various software including antivirus software, network maintenance and the first year of software maintenance and support for the Computer System and support for the Store POS.

Note 9: This item estimates the premium payments due in the first 3 months of operation for the required insurance policies. Satellite Stores are smaller, have fewer employees and do not provide cleaning or pressing processing, so they are not required to maintain environmental pollution insurance. Some insurance premiums are pre-paid for a full 12-month period.

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, including 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. Additionally, we relied on the experience of other CD One Price Cleaners franchise owners that have opened Satellite Stores. 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.

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.

**Development Rights Agreement**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be made</b>
Development fee <sup>(1)</sup>	\$10,000 to \$50,000	Lump sum	Upon signing Development Rights Agreement	Us
Additional Funds - 3 months <sup>(2)</sup>	\$5,000 to \$20,000	As incurred	As incurred	Third parties

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be made</b>
TOTAL ESTIMATED INITIAL INVESTMENT <sup>(3)</sup>	\$15,000 to \$70,000			

Explanatory Notes:

- (1) The development fee is \$5,000 multiplied by the number of additional CD Stores to be developed under the Development Rights Agreement. We expect Development Rights Agreements to cover between 2 and 10 CD Stores. We will apply \$5,000 of the development fee toward the initial franchise fee owed under each franchise agreement that the Development Rights Agreement covers.
- (2) This amount covers the costs needed to begin looking for sites in the Development Area and for business plan preparation and related expenses during the initial 3-month period after signing the Development Rights Agreement, including fees to engage a real estate consultant to help locate potential sites in the market. There is no additional initial investment for training, real property, equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, decorating costs, inventory, security deposits, utility deposits, business licenses or other prepaid expenses required under the Development Rights Agreement. You will incur costs for these and other expenses associated with developing and operating a CD Store under the Franchise Agreement.
- (3) 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 for additional funds and other estimates in this table. You should review these figures carefully with a business advisor before deciding to acquire development rights. No part of this initial investment is refundable.

**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 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 in the future 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 buy from a franchisee one of the CD Stores that CD Lease Operations subleases to the franchisee, and CD Lease Operations agrees to remain on the prime lease, it will sublease the Store to you under the Sublease. If you sign the PUD Addendum, you will acquire technology and order processing and related services from COW. 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. Except for our affiliates, none of our officers owns any interest in any suppliers to the franchise system.

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 a designated supplier to clean rugs and other non-standard items and an approved insurance broker to acquire insurance for the Store and its operations. If you are providing PUD Services, your customers will pay the credit card/payment processor whom COW periodically designates (the “Payment Processor”) and acquire code tags from our designated supplier. 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, including any vehicles used for PUD Services or to deliver garments between a Plant Store and a Satellite 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.

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 Legacy Plant Store, then your expiring franchise agreement requires you to replace improvements and operating assets, and otherwise modify the Store to bring it into compliance with the Operating Plans applicable to newly-constructed CD Stores. We will identify the repairs, improvements and refurbishments for the Store that we require as a condition to granting your renewal franchise under the Franchise Agreement (collectively, the "Upgrades") in an Exhibit to the Renewal Addendum. You must perform the Upgrades at the Store on or before the dates listed

on the Exhibit. 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.

If you are developing a Plant Store, you will offer PUD Services from the Store under the PUD Addendum. The standards, specifications, operating procedures and rules applicable to providing PUD Services, as we may periodically promulgate and modify them (collectively, the "PUD Standards"), have evolved over time as our affiliates and certain franchisees have tested and refined the model and procedures for offering PUD Services and marketing of PUD Services to consumers. You must obtain all computer and other equipment, technology (including customer management software) and other products and services that we periodically specify to provide PUD Services and, our option, obtain them only from suppliers that we periodically designate or approve, which may be us or our affiliates.

Collectively, the purchases and leases you make 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 do not derive revenue based on your and other franchisees' purchases and leases. During 2023, 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 \$1,582,568 in revenue during the 2023 fiscal year 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 2023.

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.

### **Development Rights Agreement**

Except as described in this paragraph, the Development Rights Agreement does not require you to buy or lease from us or designated or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or real estate. However, the Franchise Agreement's requirements apply for each CD Store you develop. To propose a site for a CD Store, you will send us a complete site report and other

materials demonstrating your (or your affiliate's) financial and operational ability to develop the site.

**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; 3 of Satellite Store Addendum; Rider to Lease and Collateral Assignment; 5 and 7 of Development Rights Agreement; Sublease	1, 6, 7, 8 and 11
b. Pre-opening purchases/leases	1.2, 3 and 6 of Franchise Agreement; 3 of Satellite Store Addendum; 7 of PUD Addendum; Sublease	5, 7 and 8
c. Site development and other pre-opening requirements	3 and 6 of Franchise Agreement; 4 of Satellite Store Addendum	6, 7, 8 and 11
d. Initial and ongoing training	5.3 and 6.8 of Franchise Agreement; 2 of PUD Addendum	6, 7 and 11
e. Opening	3.5 of Franchise Agreement; 5 of PUD Addendum; 4 of PUD Addendum	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; 9 of Satellite Store Addendum; 6, 8 and 11 of PUD Addendum; 3 and 4 of Renewal Addendum; 3 of Development Rights Agreement; 6(d), 8, 11, 14 and 15 of Sublease	5, 6 and 7
g. Compliance with standards and policies/operating manual	6, 8, 9.1 and 11 of Franchise Agreement; 2 of Satellite Store Addendum; 1, 2, and 7 of PUD Addendum; 2 of Renewal Addendum	8, 11 and 14
h. Trademarks and proprietary information	7, 8 and 14 of Franchise Agreement; 7 of PUD Addendum; 6 of Development Rights Agreement	13 and 14

Obligation	Section in agreement	Disclosure document item
i. Restrictions on products/services offered	6 of Franchise Agreement; 1 and 2 of Satellite Store Addendum; 1, 5 and 7 of PUD Addendum	8 and 16
j. Warranty and customer service requirements	6 of Franchise Agreement; 4, 5, 7 and 8 of PUD Addendum	None
k. Territorial development and sales quotas	2 of PUD Addendum; 1 and 4 of Development Rights Agreement	12
l. Ongoing product/service purchases	6 of Franchise Agreement; 7 and 8 of PUD Addendum	8
m. Maintenance, appearance, and remodeling requirements	6 of Franchise Agreement; 5 of Satellite Store Addendum; 7 of PUD Addendum; 2 of Renewal Addendum; 5(b) and 5(d) of Sublease	None
n. Insurance	10 of Franchise Agreement; 7 of PUD Addendum; 2 of Renewal Addendum; 5(b)(v) of Sublease	6, 7 and 8
o. Advertising	9 of Franchise Agreement; 9 of Satellite Store Addendum; 4 of PUD Addendum	6 and 11
p. Indemnification	18.4 of Franchise Agreement; 13 of Development Rights Agreement; 8(b) and 15 of Sublease	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; 10 of PUD Addendum	6
s. Inspections and audits	11.7 of Franchise Agreement	6 and 11
t. Transfer	12 of Franchise Agreement; 8 of Satellite Store Addendum; 12 of Development Rights Agreement; 5(c)(i) and 12 of Sublease	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	17
w. Non-competition covenants	15 of Franchise Agreement	17
x. Dispute resolution	23 of Franchise Agreement; 13 of Development Rights Agreement	17

## **Item 10**

### **FINANCING**

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

## **Item 11**

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

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

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. 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. (Franchise Agreement – Sections 3.2, 3.3, 6.1, 6.3 and 6.4)

5. 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)

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

7. Provide training for you or your Designated Principal and other Store personnel we specify in the operation of a CD Store, including, if applicable, in providing PUD Services. (Franchise Agreement - Sections 5.2 and 6.8; PUD Addendum – Section 5) We describe this training later in this Item.

8. Determine your PUD Territory if you sign the PUD Addendum. You may not provide any PUD Services to any location outside the PUD Territory. (PUD Addendum – Section 2)

9. Determine your development schedule of Plant Stores and Satellite Stores and the Area if you sign the Development Rights Agreement. We describe our current site selection and acceptance process earlier in this Item, and you must comply with that process for each CD Store site developed under the Development Rights Agreement. However, we may periodically modify the criteria we use to evaluate and either accept or reject proposed sites that you propose under the Development Rights Agreement. The first CD Store that you (or one of your Affiliated Entities) operate must be a Plant Store in order to provide dry cleaning, processing and production of garments to both the Plant Store and other Satellite Stores. Your right to develop and operate Satellite Stores in the Area is conditioned upon your (or your Affiliated Entity's) ability to service those Satellite Stores from their nearby Plant Store(s). Therefore, you must develop the Plant Store(s) and Satellite Store(s), as applicable, in the order referenced on the Schedule. We may, at our sole option, refuse to approve your (or your Affiliated Entity's) development of a Satellite Store at any location, and may require the development of a Plant Store instead, consistent with

the Schedule, if we believe (in our sole judgment) that doing so is preferable to maintain high quality standards for customer service in the market that those CD Stores serve. (Development Rights Agreement – Sections 1 and 4)

10. Sublease the Store’s premises to you if you acquire an existing CD Store that CD Lease Operations subleases to a franchisee and it agrees to remain on the sublease. (Sublease). We and our affiliates generally do not own the Store’s premises or lease (or sublease) them to franchisees under any other circumstances.

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 and PUD Standards 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; PUD Addendum – Sections 1 and 6)

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. Provide services to support your pickup and delivery business if you sign the PUD Addendum. (PUD Addendum – Sections 3, 4, 6, 7 and 8) We describe these services later in this Item.

### **PUD Services**

If you sign the PUD Addendum, you will provide the PUD Services only to Standard Customers and approved Non-Standard Customers. We will develop, and may periodically modify, the Standard Terms and you must provide PUD Services to all Standard Customers (including residential or business customers, if any) on the Standard Terms at all locations within the PUD Territory. You may not provide any PUD Services to any Non-Standard Customer without our and COW’s prior account review and approval of the terms. If you want to provide PUD Services to any Non-Standard Customer, you must give us and COW the information we and COW periodically request concerning the customer, the locations at which you would be providing PUD Services, and any proposed variations to the Standard Terms. If you choose to provide PUD Services to a Non-Standard Customer at one or more locations within the PUD Territory, you must continue to provide those PUD Services at those locations for the duration of the applicable contractual arrangement with that Non-Standard Customer. You may not provide any PUD Services to any customer at any location outside the PUD Territory, to any customer who does not enroll through the Order Processing System following its processes and requirements, or to any Non-Standard Customer that we have not approved. We or COW may, at our sole option, negotiate with Referral Sources for PUD Services in the PUD Territory.

You must comply with all PUD Standards, other Operating Plans, and other applicable provisions of the Franchise Agreement when providing the PUD Services. This includes complying with all pricing requirements, plans and restrictions that we periodically specify (as we may periodically modify them), in each case to the maximum extent the law allows, concerning the PUD Services, providing PUD Services on the days and during the hours that we periodically specify, maintaining the customer service standards (including customer response times) that we periodically specify; and adhering to all PCI data security standards and related requirements.

COW is the current exclusive provider of, and will use commercially reasonable efforts to provide you, order processing services for orders for PUD Services from your Standard Customers and approved Non-Standard Customers (“Orders”) under the PUD Addendum (as COW may

periodically update and modify them, collectively, the “Order Processing Services”). COW will process Orders and provide the Order Processing Services through the “Order Processing System.” The Order Processing System may vary periodically, but currently includes a technology solution through which customers can place Orders and pay for the PUD Services through a website accessible by a computer or an app that customers download on their mobile phones and a mechanism for CD Store operators and their drivers to plan routes and track Orders. COW will use commercially reasonable efforts to provide Order Processing Services consistent with prevailing standards in the industry, but does not provide any warranty or guaranty that the Order Processing Services will be error-free or uninterrupted. We and/or COW may periodically modify the features, functionality and other aspects of the Order Processing System, including using additional third-party software and/or other third-party technology and services and the types, processes and means of providing Order Processing Services. You must comply with these modifications.

We or our designee will manage and (at our option) address questions, concerns, inquiries, or issues from customers concerning the PUD Services, the customer’s individual account, the Order Processing System, payment issues, customer service concerns, and other issues that customarily arise in order to support customer acquisition and retention for PUD Services. You must abide by our customer service resolution agreements and decisions.

### **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 and, if applicable, the Initial PUD Training (defined below). 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 6 years of experience in dry cleaning store operations and has worked for us or our affiliates for over 6 years. We currently provide most of the training at our corporate headquarters in Oakbrook Terrace, Illinois, a CD Store in Illinois, or via online training. We use the Manual and other written classroom guides as training materials.

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 store operations issues. If you are signing a Franchise Agreement for a new CD Store, 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. If you are acquiring an existing CD Store, you (or the selling franchisee) must pay our training fee of \$100 per day. 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
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	1	2	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
<b>TOTALS:</b>	<b>45</b>	<b>133</b>	

**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	2	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
<b>TOTALS:</b>	<b>2</b>	<b>16</b>	

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)

If you sign the PUD Addendum, we will provide an initial training program on the performance of PUD Services and the use of the Order Processing System (defined below) (the “Initial PUD Training”). We plan to be flexible in scheduling Initial PUD Training. There currently are no fixed (i.e., monthly or bi-monthly) training schedules for these programs. We provide these training programs before the you plan to start providing PUD Services.

**INITIAL PUD TRAINING  
TRAINING PROGRAM**

Column 1  Subject	Column 2  Hours of Classroom Training	Column 3  Hours of On-The-Job Training	Column 4  Location
Scamper Systems – Dashboard and App	4	4	CD Store in Illinois or online
Pickup Route (Driver)	1	4	CD Store in Illinois or online
Delivery Route (Driver)	1	4	CD Store in Illinois or online
Incorporating PUD at Plant Store	4	4	CD Store in Illinois or online
<b>TOTALS:</b>	<b>10</b>	<b>16</b>	

You (or your Designated Principal) and either the Store’s general manager or assistant manager must complete the Initial PUD Training to our satisfaction before you may provide PUD Services. 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 provide the PUD Services. Your trained personnel must then provide training to your drivers and other personnel on the performance of PUD Services and the use of the Order Processing System under the PUD Standards. We provide the Initial PUD Training at no additional charge, but you must pay all expenses incurred in training programs, including the costs of transportation, lodging, meals and any compensation for participants associated with Store. You may not begin providing PUD Services until we notify you and COW that your personnel have completed the Initial PUD Training and COW has completed all adaptations to and testing of the Order Processing System, including territory set up, in order to accept orders from your PUD Services customers. You must begin providing PUD Services within 10 business days after we deliver that notice (the “PUD Start Date”). (PUD Addendum – Section 5)

**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. If you sign the PUD Addendum, you also must

contribute to the Marketing Fund an additional 3.5% of Gross PUD Revenues as Customer Acquisition Payments and an additional 2% of Gross PUD Revenues as Customer Development and Retention Payments. 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 2023 fiscal year, the Marketing Fund spent 48% 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), 32% on administrative expenses (including salaries, taxes, benefits and expenses for personnel responsible for directing, managing and executing Marketing Fund programs and activities), and 20% on other expenses (including creative/concept development, in-store marketing, customer survey/referral programs, web site updates and research). 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; PUD Addendum – Section 10)

#### 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)

#### Local Marketing

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.

Beginning on the date which is 12 months after the Store first opens for business, you must spend each calendar quarter at least 1% of the Store's Gross Revenues during that calendar quarter on approved local advertising, marketing and promotional programs for the Store. Upon our request, you must provide us with proof of the programs you conducted and the amounts you spent. At our option, you must periodically prepare and submit to us for our approval a proposed local advertising and marketing plan that contemplates spending at least the amount required and must implement the plan in the form that we approved. If you fail to make the required expenditure, we may collect and contribute the deficiency to the Marketing Fund. (Franchise Agreement – Section 9.1) However, this minimum spending requirement does not apply if you are signing a Renewal Addendum or if you are developing a new Satellite Store that will receive production services from an associated Legacy Plant Store. (Satellite Store Addendum – Section 6 and Renewal Addendum – Section 7)

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 approximately \$22,500 within the first 9 months after the Store first opens for business (the “Opening Marketing Program”). You must execute the Opening Marketing Program in the manner we specify. You will spend \$15,000 towards the Opening Marketing Program, and we will cause the Marketing Fund to pay the remaining \$7,500. 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 sign the Satellite Store Addendum, then the Opening Marketing Program will require you to spend approximately \$10,000, all of which you will pay. However, if you are eligible to participate in the Satellite Store Incentive Program, and you open the Satellite Store during 2024, then we will increase the Opening Marketing Program to require you to spend approximately \$17,500. You will spend \$10,000 towards the Opening Marketing Program, and we will cause the Marketing Fund to pay the remaining \$7,500. (Satellite Store Addendum – Section 8(c))

If you sign the PUD Addendum, then in addition to the advertising and marketing that the Franchise Agreement otherwise requires, we will prepare an initial grand opening advertising and marketing program for the PUD Services requiring you to spend approximately \$17,500 within the first 9 months after the PUD Start Date (the “PUD Opening Marketing Program”). You must execute the PUD Opening Marketing Program in the manner we specify. You will spend \$10,000 towards the PUD Opening Marketing Program, and we will cause the Marketing Fund to pay the remaining \$7,500. 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. (PUD Addendum – Section 4)

### 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, X (formerly 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. If you offer PUD Services, the Computer System will also interface with the Order Processing System and coordinate Order pickups, delivery and payment. The Computer System will generate and record sales, inventory, customer and other operational data. You must provide the assistance required to connect your Computer System to our computer system. If you offer PUD Services, this includes ensuring your employees have access to appropriate mobile phone devices capable of managing the Order Processing System and PUD Services technology. 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 \$40,000 to acquire the Computer System's components for a Plant Store (including the associated PUD Services) and \$10,000 to \$20,000 for a Satellite Store if the store elects to utilize fewer workstations. These amounts include the initial software license fee to the third-party primary vendor. The primary software vendor and their affiliate 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. Unless you elect to engage a third-party vendor, 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. You must pay for all PCI compliance related to the Computer System and the credit card provider designated by the primary software vendor.

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. If you sign the PUD Addendum, at our option, you must acquire licenses for or other rights to use any customer support software or other technology that we periodically designate. (Franchise Agreement – Sections 3.2, 3.3, 6.3, 6.5 and 11.1; PUD Addendum – Sections 6 and 7)

### **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. 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 operational and marketing 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)

If you sign the PUD Addendum, you must begin providing PUD Services within 10 business days after we provide you notice. The factors that may affect this time period include the time it takes for your personnel to complete the Initial PUD Training and the time COW needs to complete all adaptations to and testing of the Order Processing System, including territory set up, in order to accept orders from your PUD Services customers. (PUD Addendum – Section 5)

## **Item 12**

### **TERRITORY**

#### **Franchise Agreement**

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 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.

### **PUD Addendum**

If you sign the PUD Addendum, you will advertise, market, offer and provide PUD Services only in the PUD Territory, and you may not provide any PUD Services to any location outside the PUD Territory. PUD Territory sizes will vary considerably based on the population density, demographics (like household income levels), competition, geography and natural boundaries/barriers, distance from the Plant Store, and other factors specific to the market around the Plant Store. There is no minimum size for PUD Territories. We will identify the PUD Territory in an Exhibit to the PUD Addendum before we and you sign it.

Depending on the size of the PUD Territory, the staged launch of PUD Services in the PUD Territory may be a critical aspect of your providing PUD Services. In these situations, we will divide the PUD Territory into multiple "Sub-Territories" listed in the Exhibit to the PUD Addendum. You then must begin providing PUD Services only in, and you may advertise, market, offer and provide PUD Services only in, the area identified as Sub-Territory #1 beginning on the PUD Start Date. You must begin providing PUD Services in each additional Sub-Territory on or before each of the "Sub-Territory Launch Deadlines" listed in the Exhibit. You must obtain our

prior written approval before beginning to provide PUD Services in any additional Sub-Territory. You may determine, in your reasonable judgment, the particular Sub-Territory in which you begin offering PUD Services on each Sub-Territory Launch Deadline. Your failure to begin offering PUD Services in an additional Sub-Territory on or before the Sub-Territory Launch Deadline is a breach of this Addendum.

You may not provide any PUD Services to any location outside the PUD Territory (or the applicable Sub-Territories), and you may solicit and accept Orders only from PUD Services customers located within the PUD Territory (or the applicable Sub-Territories). You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales outside your PUD Territory (or the applicable Sub-Territories). We may not alter your PUD Territory or your rights in the PUD Territory.

Under the PUD Addendum, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. 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 PUD Territory under the Proprietary Marks or other marks without compensating you.

### **Development Rights Agreement**

If you sign a Development Rights Agreement, it will identify your “Area.” We typically will identify Areas using streets or political subdivisions. Because the Area will depend on the number of CD Stores you agree to develop and the market within which you will develop them, there are no minimum sizes for Areas. You may not develop CD Stores outside the Area.

If you and your Affiliated Entities are in full compliance with the Development Rights Agreement and all other agreements between you (or any of the Affiliated Entities) and us (or any of our affiliates), including all franchise agreements, then, during the Development Rights Agreement’s term only, except as otherwise provided in the Development Rights Agreement, we will not operate, or grant a franchise for the operation of, a CD Store the physical premises of which are located within the Area. We reserve all other rights and may exercise all of the rights, and engage in the other activities, that we now reserve in the Franchise Agreement (and related documents) during its term. We will determine the territory and territorial rights for each CD Store that you or your Affiliated Entity develops under the Development Rights Agreement using the standards in place at the time when you or that Affiliated Entity signs the franchise agreement for that CD Store.

We may terminate the Development Rights Agreement if you do not comply with the development schedule. Otherwise, continuation of your territorial exclusivity under the Development Rights Agreement does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Area or your territorial rights in the Area.

If you comply with the Development Rights Agreement (including the development schedule) during its term, and you and your Affiliated Entities fully comply with all other franchise

and other agreements throughout the term of the Development Rights Agreement, then, for 2 years after that agreement expires, you will have a right of first offer for new CD Store development in the Area. During that 2-year period, as long as you and your Affiliated Entities are in full compliance with all other agreements between you (or any of the Affiliated Entities) and us (or any of our affiliates), including all franchise agreements, if we desire to grant to any person or entity the right to develop and operate a CD Store at a Proposed Site the physical premises of which are located within the Area, and further subject to any restrictions under applicable law, we will first offer you (or your Affiliated Entity) the opportunity to acquire the right to develop and operate a CD Store at that 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 (or your Affiliated Entity's) financial and operational ability to develop and operate the CD Store at the Proposed Site. If you (or your Affiliated Entity) meets our then current qualifications, we will, subject to any restrictions under applicable law, deliver to you (or that Affiliated Entity) 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:

- (i) you (or your Affiliated Entity) and its 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 signing those documents, within 30 days after we deliver them to you (or your Affiliated Entity);
- (ii) 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
- (iii) you are not eligible to exercise your right of first offer because you and your Affiliated Entities are not then in full compliance with all other agreements between you (or any of your Affiliated Entities) and us (or any of its affiliates), or you (or your Affiliated Entity) does 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.

## Item 13

### TRADEMARKS

#### Franchise Agreement

You may use the Proprietary Marks in operating the Store. Cleaners Depot, L.P., our affiliate, registered some of 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. We also registered some Principal Marks on the PTO’s principal register after January 2012. The principal Proprietary Marks are:

<b>Mark</b>	<b>Registration Number</b>	<b>Date Registered</b>	<b>Affidavits Filed?</b>	<b>Registration Renewed?</b>
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
CD ONE	5,297,532	September 26, 2017	Yes	N/A

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.

### **Development Rights Agreement**

The Development Rights Agreement does not grant you any rights to use the Proprietary Marks. You derive the right to use the Proprietary Marks only under a franchise agreement.

## **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.

Under the PUD Addendum, COW (or its designee) owns all intellectual property and other rights in and to the Order Processing System and the technology used to provide Order Processing Services. All Order information, prospective and actual customer data, and other information that the Order Processing System generates or stores, or that is otherwise developed in offering and providing the PUD Services, is our confidential information.

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**

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 the Development Rights Agreement, you must develop your Area according to the development schedule, including the specific number of Plant Stores and Satellite Stores in specific order. We do not require, but do recommend, that you (or your Designated Principal) personally supervise your development of CD Stores. You must hire sufficient personnel to manage and supervise the development of your CD Stores. The personnel need not have an equity interest in any CD Store (or in you) and need not attend our training program. If you are a business entity, your owners need not sign any personal guarantees of your obligations under the Development Rights Agreement.

## **Item 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

#### **Franchise Agreement**

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 sign the PUD Addendum. 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 unless you obtain our prior written approval to do so. 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.

If you sign the PUD Addendum, you may provide PUD Services only to Standard Customers and approved Non-Standard Customers at locations in the PUD Territory (or applicable Sub-Territories) and using the Order Processing System. We may establish and periodically modify the Standard Terms and have approval rights over any variations to the Standard Terms for PUD Services. You also must comply with all pricing requirements, plans and restrictions that we periodically specify (as we may periodically modify them), in each case to the maximum extent the law allows, concerning the PUD Services, provide PUD Services on the days and during the hours that we periodically specify, and maintain the customer service standards (including customer response times) that we periodically specify.

**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, Addenda and Development Rights Agreement**

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the franchise term	2.1 of Franchise Agreement, 11(a) of PUD Addendum and 9 of Development Rights Agreement	Franchise Agreement’s term is 10 years. PUD Addendum expires when the Franchise Agreement expires. Development Rights Agreement expires on date when last CD Store under development schedule opens or is scheduled to open (whichever is earlier).
b. Renewal or extension of the term	2.2 of Franchise Agreement and 10 of Development Rights 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). You have no right to renew the Development Rights Agreement, but if you have complied with the Agreement during its term you will have a right of first offer for new CD Stores (under certain conditions) for 2 years.
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.

Provision	Section in franchise or other agreement	Summary
d. Termination by franchisee	13.6 of Franchise Agreement	You may close an unprofitable Store and terminate the Franchise Agreement if you use best efforts to operate at reasonable profit, you comply with agreements, we have no liability under the store's lease or otherwise, 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, Addenda or Development Rights Agreement without cause.
f. Termination by franchisor with cause	13.1 to 13.3 of Franchise Agreement, 11(b) of PUD Addendum and 11 of Development Rights Agreement	We may terminate the Franchise Agreement, PUD Addendum or Development Rights Agreement if you or your owners commit any one of several violations.
g. "Cause" defined – curable defaults	13.3 of Franchise Agreement and 11(b) of PUD Addendum	Under the 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. Under the PUD Addendum you have 10 days to cure breaches of that Addendum.

Provision	Section in franchise or other agreement	Summary
h. “Cause” defined – non-curable defaults	13.1 and 13.2 of Franchise Agreement, 2 of Renewal Addendum, 8 of Satellite Store Addendum and 11 of Development Rights Agreement	<p><u>Franchise Agreement and Addenda:</u> 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.</p> <p><u>Development Rights Agreement:</u> Failure to meet development schedule, breach of any obligation, and termination of any franchise agreement with you or Affiliated Entity.</p>
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).
j. Assignment of contract by franchisor	12.1 of Franchise Agreement and 12 of Development Rights Agreement	No restriction on our right to assign or change our ownership or form.
k. “Transfer” by franchisee – defined	12.2 of Franchise Agreement and 12 of Development Rights Agreement	Includes transfer of any interest in the Franchise Agreement or Development Right Agreement, Store’s assets, rights to receive Store’s profits or losses, or ownership interest in you.

Provision	Section in franchise or other agreement	Summary
l. Franchisor approval of transfer by franchisee	12.3 of Franchise Agreement and 12 of Development Rights 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 8 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.
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.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
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, 9 of PUD Addendum and 13 of Development Rights Agreement	Modifications only by written agreement of parties, but we may change Manual and Operating Plans and the methods of calculating and paying the Customer Acquisition Payments and/or Technology Fee under the PUD Addendum.
t. Integration/merger clause	21 of Franchise Agreement and 13 of Development Rights Agreement	Only terms of Development Rights Agreement or 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 and 13 of Development Rights 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 and 13 of Development Rights Agreement	Subject to arbitration obligation and state law, litigation generally must be in Illinois.
w. Choice of law	23.1 of Franchise Agreement and 13 of Development Rights 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.**

### **Sublease**

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the franchise term	2 of Sublease	Sublease term ends when prime lease or Franchise Agreement expires or terminates, whichever is sooner.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
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	Not applicable	You may not terminate the Sublease except as applicable law allows.
e. Termination by franchisor without cause	Not applicable	Our affiliate may not terminate the Sublease without cause.
f. Termination by franchisor with cause	6 of Sublease	Our affiliate may terminate if you commit any one of several defaults.
g. "Cause" defined – curable defaults	6 of Sublease	The Sublease allows you to cure any curable defaults under prime lease.
h. "Cause" defined – non-curable defaults	6 of Sublease	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	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	5(c)(i) of Sublease	No transfer of 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.

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
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.
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 Sublease	Modifications only by written agreement of parties.
t. Integration/merger clause	12 of Sublease	Only terms of 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 Sublease.
v. Choice of forum	Not applicable	Not applicable.
w. Choice of law	12 of Sublease	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.

There were 40 CD Stores operating as of December 31, 2023, all of which franchisees owned and operated. 2 CD Stores (both Satellite Stores) opened in 2023, so they did not operate for the entire fiscal period from December 31, 2022 through December 29, 2023 (the "2023 Fiscal Year"). Therefore, these financial performance representations reflect the actual, historical Gross Revenue and certain costs during the 2023 Fiscal Year for all or a portion of the remaining 38 CD Stores that franchisees operated for the entire 2023 Fiscal Year (the "Revenue Reporting Stores"). No CD Stores closed during 2023.

34 of the Revenue Reporting Stores are Plant Stores. 31 are in Illinois, and one each in Minnesota, Indiana and Missouri. The average age of these Plant Stores as of December 31, 2023 is 19.4 years, with the most recent store opening in 2017. 28 of these Plant Stores are in suburban locations and 6 are in more densely populated urban locations. The sizes of these Plant Stores range from 2,800 to 4,500 square feet, with an average of approximately 3,150 square feet. 3 of these Plant Stores are stand-alone buildings and the remainder are in strip centers or on-street locations in urban areas. These Plant Stores face the same competition, and receive the same services from us, that we expect new franchised Plant Stores will face and receive.

4 of the Revenue Reporting Stores are Satellite Stores. They operate in Illinois and receive production services from their associated Plant Stores. The 2 newest Satellite Stores opened in October 2022 and September 2021. The other 2 opened in 2003 and 2007 as Plant Stores, but the franchisees that operated these stores decommissioned their respective dry cleaning and laundry production equipment and converted them to non-production Satellite Stores in 2020 and 2021, respectively. All of these Satellite Stores are in suburban locations. These Satellite Stores are 1,187, 1,260, 3,441 and 1,205 square feet. 2 of these Satellite Stores opened as a Satellite Store. Of the 2 that converted from Plant Stores to Satellite Stores, one reduced its size (to 1,260 square feet) and the other store maintained its size at 3,441 square feet, which is more space than we expect new Satellite Stores will have. All of these Satellite Stores are in strip centers. These Satellite Stores face the same competition, and receive the same services from us, that we expect new franchised Satellite Stores will face and receive.

Most of the Revenue Reporting Stores operate in Chicago, Illinois and its surrounding suburbs, where other CD Stores have established a market presence and trade identity, and where advertising and marketing activity can benefit multiple CD Stores. Most of the Revenue Reporting Stores are located in densely populated areas, where there are more potential customers for dry cleaning and laundry services than in less densely populated areas. Demand for CD Stores' services can vary significantly with the general economy, local market conditions, available parking and the general visibility of the CD Store location to consumers.

A. Gross Revenue for all Revenue Reporting Stores.

This first financial performance representation reflects the actual, historical average Gross Revenue for all 34 Revenue Reporting Stores that are Plant Stores, as well as the top third, middle third and bottom third (by Gross Revenue) of these 34 Plant Stores, and separately the actual, historical average Gross Revenue for all 4 Revenue Reporting Stores that are Satellite Stores.

**2023 Gross Revenue – Revenue Reporting Stores**

Category	# Stores	Average Gross Revenue	#/% Above Average	Highest Gross Revenue	Lowest Gross Revenue	Median Gross Revenue
Top Third Plant Stores	11	\$1,367,307	5/45.4%	\$2,306,859	\$1,115,602	\$1,232,941
Middle Third Plant Stores	12	\$1,031,729	7/58.3%	\$1,114,301	\$911,824	\$1,075,802
Bottom Third Plant Stores	11	\$780,958	6/55.5%	\$888,244	\$677,702	\$789,735
All Plant Stores	34	\$1,059,167	18/52.9%	\$2,306,859	\$677,702	\$1,075,802
All Satellite Stores	4	\$376,749	3/75%	\$431,047	\$260,525	\$407,712

PUD Services are optional for most of our Revenue Reporting Stores. 8 of the Plant Stores (2 of which are in the top third, 1 in the middle third and 4 in the bottom third in the table above) provided PUD Services to customers throughout 2023. For these 8 Plant Stores, their Gross Revenue from PUD Services represented, on average, 9.8% of their total 2023 Gross Revenue for the respective Plant Store. Satellite Stores do not offer PUD Services. Other factors impacting the Revenue Reporting Stores' Gross Revenue include their ability to provide high quality services, maintain clean stores and provide a strong customer service experience.

We define Gross Revenues for these financial performance representations using the same definition that we use in Item 6. "Gross Revenues" means revenue from the sale of all products and services and all other income or consideration of every kind and nature that the Reporting 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 collected from customers and paid directly to the appropriate taxing authority, and (b) any customer discounts or refunds.

B. Certain Cost Information for Cost Reporting Stores.

Although we collected Gross Revenue information for all Revenue Reporting Stores, we were unable to collect cost information from 6 of the Revenue Reporting Stores (all Plant Stores), despite our requests for the information from the franchisees. Franchisees sold 4 of these Plant Stores during 2023 to other franchisees. Additionally, we did not receive cost information for the 2023 Fiscal Year from 2 other franchisees that operated 2 other stores. Also, we excluded the 2 Satellite Stores that opened in 2023 from the Revenue Reporting Stores for the first financial

performance representation (because they did not operate for all of 2023), and we excluded the Occupancy Costs, Labor Costs, Production Supplies Costs, Electricity Costs and Natural Gas Costs (as those terms are defined below) for those same 2 Satellite Stores that opened in 2023 for the same reason. Therefore, this second financial performance representation reflects the actual, historical average Occupancy Costs, Labor Costs, Production Supplies Costs, Electricity Costs and Natural Gas Costs, reflected as a percentage of average Gross Revenue, during the 2023 Fiscal Year for the remaining 32 Revenue Reporting Stores (consisting of 28 Plant Stores and 4 Satellite Stores) that franchisees operated during all of 2023 and who provided us their cost information. We call these 32 CD Stores the "Cost Reporting Stores."

**2023 Costs as a Percentage of Gross Revenue  
Cost Reporting Stores for 2023**

<b>Category</b>	<b>Occupancy Costs(1)</b>	<b>Labor Costs(2)</b>	<b>Production Supplies Costs(3)</b>	<b>Electricity Costs(4)</b>	<b>Natural Gas Costs(4)</b>
Average	11.7%	37.5%	8.2%	1.6%	1.6%
Median	12.0%	38.6%	7.8%	1.5%	1.4%
#/% Above Average	16/50%	17/53.1%	14/ 43.8%	15/46.9%	16/50%

(1) "Occupancy Costs" reflect the amounts paid for rent and common area maintenance charges. The figure also includes amounts paid for water and waste disposal costs, real estate property taxes and insurance on the premises, but only if the landlord collects those amounts from the Cost Reporting Store owner under the lease or in common area maintenance charges. This figure does not cover all costs associated with occupying the Cost Reporting Stores, such as facility upkeep and ongoing store cleaning costs. Because of the integrated nature of a Satellite Store and its associated Plant Store, some Cost Reporting Store owners reported their total occupancy costs for both the Plant Store and the Satellite Store as one line-item expense in their reporting to us. As a result, for that group of 4 satellite stores, we split the combined reported Occupancy Costs for those stores equally between the Plant Store and Satellite Store.

(2) "Labor Costs" reflect salaries and wages (including overtime), incentive compensation, vacation pay and associated payroll taxes paid to the Cost Reporting Store's employees. This figure does not cover all employee-related costs associated with operating the Cost Reporting Stores, such as payroll processing fees, health insurance or workers' compensation insurance premiums, uniforms, or meal, travel and other expenses for employees. Factors affecting Labor Costs include the managers' operational ability (including experience with managing and scheduling staff), the manager's commitment to training staff and implementing employee retention programs, the local labor market, and any applicable federal or state minimum wage laws.

The Cost Reporting Stores use a variety of management staffing models, with some using only one or 2 managers and others using more store managers. Factors impacting the management staffing decisions include the overall gross revenue of the Cost Reporting Store, the number of full

time or part time workers on staff, the longevity of the employees and the number of employees that are cross-trained for position flexibility. Many CD Store franchise owner(s) fill some management duties themselves. Because these franchise owners receive compensation both for their work at the Cost Reporting Store and as owner based on the store's cash flow/profits, the salaries and wages that these owners pay themselves for these services vary widely. In order to normalize Labor Costs, we contacted our franchise owners to understand what amounts they paid themselves and included in their reporting of Labor Costs, and what they felt were "market rate" Labor Costs for the positions that the franchise owners maintained at their Cost Reporting Stores. Some franchise owners then modified their initially-reported Labor Costs based on our inquiry. No franchise owner increased their reported Labor Costs to reflect a market rate for the management positions that the franchise owner maintained, because no franchise owner felt that they were paying below-market compensation for those roles. However, at 4 of the Cost Reporting Stores, the franchise owner decreased the reported Labor Costs to reflect a market rate for the manager positions that they maintained, because those owners were paying themselves above-market compensation for those roles.

The franchise owners operating both the 4 Satellite Stores and the associated Plant stores, had challenges allocating their Labor Costs between each of the 4 Satellite Stores and the associated Plant Store. For example, the employees at the Plant Store clean and press the garments for customers at both the Plant Store and the associated Satellite Store. There also are employees who transport these garments between the Plant Store and the associated Satellite Store, and they may be primarily associated with either the individual Satellite Store or the Plant Store. Further, because the same franchisee (or its affiliate) operates both the Plant Store and the associated Satellite Store, some employees primarily associated with the Plant Store might also work at the Satellite Store. For these reasons, when calculating Labor Costs, we combined the Gross Revenue and Labor Costs of both the Plant Stores and any associated Satellite Stores, effectively treating them as one combined location. This reflects an accurate representation of the combined business because the Labor Cost (like the other costs in this second financial performance representation) is reflected as a percentage of revenue which includes the combined Gross Revenues of the applicable Plant Stores and the associated Satellite Stores.

(3) "Production Supplies Costs" reflect the amounts paid for replacement pads and covers for pressing equipment (including associated labor costs), dry cleaning solvents and other solvents, and other supplies used for dry cleaning and laundry processes, such as register tape, laundry bags, tags, detergent, spotting kits, hangers and poly bags. Factors affecting Production Supplies Costs include the Cost Reporting Store's Gross Revenue and its ability to limit waste, manage inventory levels and purchases, and encourage customer hanger recycling. This figure does not cover all costs associated with production at the CD Stores, such as costs for office and janitorial supplies, customer claims costs and costs to obtain, maintain and repair equipment. Just like we did for Labor Costs, we combined the Gross Revenue and Production Supplies Costs of the Satellite Stores and the associated Plant Stores, effectively treating them as one combined location, because the Plant Store is handling the production (and absorbing the Production Supplies Cost) for garments that customers take to and pick up from the Satellite Store.

(4) "Electricity Costs" reflect the amounts paid for electricity usage and "Natural Gas Costs" reflect the amounts paid for natural gas usage. Some Cost Reporting Stores in Illinois buy electricity from a third-party reseller at their option and lock-in rates. Depending on your Store's location, you may or may not be eligible to buy electricity from resellers and/or participate in group electricity purchases. Once again we combined the Gross Revenue and Electricity Costs/Natural Gas Costs of both the Plant Store and any associated Satellite Store, effectively treating them as one combined location, because the associated Plant Store is handling the production (and absorbing the Electricity Costs and Natural Gas Costs Production) for garments that customers take to and pick up from the Satellite Store.

There are a number of other costs and expenses that CD Stores incur that are not included in the cost categories that this financial performance representation covers (Occupancy Costs, Labor Costs, Production Supplies Costs, Electricity Costs and Natural Gas Costs). Some of these other costs and expenses include, for example, royalty fees and Marketing Fund contributions; other elective costs to advertise, market and promote the CD Store, such as costs for signs and local promotions; ongoing software license fees and other technology-related costs; legal and other professional fees, trade group subscriptions and membership dues; training and related expenses; office and janitorial supplies; store cleaning, equipment repair and maintenance expenses; fees and expenses for obtaining required licenses and permits; telephone, security, music, water and waste disposal costs not covered in lease rent; property, liability and pollution insurance (Plant Stores only) not covered in lease rent; and interest and other debt service costs, taxes, depreciation and amortization. CD Stores offering residential pickup and delivery services will also incur expenses for one or more vehicles, including vehicle insurance, vehicle repairs and maintenance, and associated fees outlined in the PUD Addendum, including some paid to our affiliate, which are not included in the cost categories described in this Item 19. You should consider these and all other costs and expenses that you will incur when creating a business plan for your CD Store.

We calculated the figures in the tables above using information that our franchisees provided. Upon your reasonable request, we will provide written substantiation for these financial performance representations.

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

Other than the preceding financial performance representations, Cleaners Depot Franchise, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tom Ryan, our Vice President of Franchise Development, at One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181, 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 operated 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, 1 new Satellite Store opened in Illinois in 2022 and 2 new Satellite Stores opened in Illinois in 2023. The remaining CD Stores are Plant Stores.

**Table No. 1**

**Systemwide Outlet Summary  
For years 2021 to 2023**

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	2021	35	36	+1
	2022	36	38	+2
	2023	38	40	+2
Company-Owned	2021	1	1	+0
	2022	1	0	-1
	2023	0	0	+0
Total Outlets	2021	36	37	+1
	2022	37	38	+1
	2023	38	40	+2

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2021 to 2023**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Illinois	2021	2
	2022	2
	2023	4
Total	2021	2
	2022	2
	2023	4

**Table No. 3**

**Status of Franchised Outlets  
For years 2021 to 2023**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations— Other Reasons	Col. 9 Outlets at End of the Year
Illinois	2021	33	1	0	0	0	0	34
	2022	34	1	0	0	0	0	35
	2023	35	2	0	0	0	0	37
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Minnesota	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1

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
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	35	1	0	0	0	0	36
	2022	36	2	0	0	0	0	38
	2023	38	2	0	0	0	0	40

**Table No. 4**

**Status of Company-Owned Outlets  
For years 2021 to 2023**

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	2021	1	0	0	0	0	1
	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
Totals	2021	1	0	0	0	0	1
	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0

**Table No. 5**

**Projected Openings as of December 31, 2023**

<b>State</b>	<b>Franchise Agreements Signed As of 12/31/2023 But Outlet Not Open as of 12/31/2023</b>	<b>Projected New Franchised Outlets to Open in 2024</b>	<b>Projected New Company-Owned Outlets to Open in 2024</b>
Illinois	4	6	0
Indiana	0	0	0
Totals	4	6	0

Exhibit G is a list of our franchisees as of December 31, 2023 and the addresses and telephone numbers of their CD Stores. Except for (1) Tom Simonian and UCCM, Inc., St. Charles, Illinois, (630) 910-6715, (2) John Stocchero, Toni Messina and JT Cleaners, Inc., Morton Grove, Illinois, (630) 910-6715 and (847) 583-1012, (3) Tom and Bedsy Markuszewski and Markuszewski CD 11, Inc., Naperville, Illinois, (630) 910-6715 and (331) 229-3916, and (4) Timothy P. Darville and Darville, Inc., Chicago, Illinois, (630) 910-6715 and (773) 637-7837, all of whom sold their CD Stores to buyers in 2023, 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 29, 2023 and December 30, 2022, and the related statements of operations, members' equity and cash flows for the periods ended December 29, 2023, December 30, 2022, and December 31, 2021, as well as our unaudited financial statements as of and for the period ended March 31, 2023.

**Item 22**

**CONTRACTS**

The following documents are attached to this disclosure document:

1. Franchise Agreement (Exhibit B-1)
2. Satellite Store Addendum (Exhibit B-2)
3. PUD Addendum (Exhibit B-3)

4. Renewal Addendum (Exhibit B-4)
5. Development Rights Agreement (Exhibit C)
6. Sublease (Exhibit D)
7. State-Specific Riders, including sample form release for use with transfer/renewal (Exhibit H)

### **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 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**

Website: [www.dfpi.ca.gov](http://www.dfpi.ca.gov)

Email: [ask.DFPI@dfpi.ca.gov](mailto:ask.DFPI@dfpi.ca.gov)

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

#### ***Los Angeles***

320 West 4<sup>th</sup> Street, Suite 750  
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 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1500

**NEW YORK**

(for service of process)

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

(Administrator)

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> 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  
State Capitol, 14<sup>th</sup> Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(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 41200  
Olympia, Washington 98504-1200  
(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**

**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 One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181 (“**Franchisor**”), and \_\_\_\_\_ 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 (10<sup>th</sup>) 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 unless Franchisor otherwise agrees in writing;

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 **Local Advertising and Marketing.**

9.1.1 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.

9.1.2 Beginning on the date which is twelve (12) months after the Store first opens for business, Franchisee must spend each calendar quarter at least one percent (1%) of the Store's Gross Revenues during that calendar quarter on approved local advertising, marketing and promotional programs for the Store. Upon Franchisor's request, Franchisee must provide Franchisor with proof of the programs Franchisee conducted and the amounts spent. At Franchisor's option, Franchisee must periodically prepare and submit to Franchisor for its approval a proposed local advertising and marketing plan that contemplates spending at least the amount required under this Section 9.1.2 and must implement the plan in the form that Franchisor approved it. If Franchisee fails to make the required expenditure, Franchisor may collect and contribute the deficiency to the Marketing Fund.

9.2 **Initial Opening Promotion.** Franchisor shall prepare an initial grand opening advertising and marketing program for the Store requiring Franchisee to spend approximately Twenty-Two Thousand Five Hundred Dollars (\$22,500) within the first nine (9) months after the Store first opens for business (the "Opening Marketing Program"). Franchisee agrees to execute the Opening Marketing Program in the manner that Franchisor specifies. Franchisee agrees to spend Fifteen Thousand Dollars (\$15,000) towards the Opening Marketing Program, and Franchisor agrees to cause the Marketing Fund to pay the remaining Seven Thousand Five Hundred Dollars (\$7,500). Despite Franchisor's development of the Store's Opening Marketing Program, Franchisor makes no representation or warranty, and assumes no liability, relating to that 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 Four Thousand Dollars (\$4,000) 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 Eight Thousand Dollars (\$8,000). 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  
   One Mid America Plaza  
   Suite 125  
   Oakbrook Terrace, Illinois 60181  
   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 \_\_\_\_\_.

**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 \_\_\_\_\_, 202\_ 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 and for no other purpose.
  - b. **Lease Term.** The term of the Lease shall be \_\_\_\_\_ (\_\_) 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. **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 (if applicable), 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.

e. **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: (i) has full power and authority to so assign the Lease and its interest therein, and (ii) 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  
One Mid America Plaza  
Suite 125  
Oakbrook Terrace, Illinois 60181  
Attn: Rafiq Karimi Jr.  
rafiq@cleanersdepot.com

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 \_\_\_\_\_, 202\_\_, 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**

**SATELLITE STORE ADDENDUM**

B-2-1

**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 One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181 (“**Franchisor**”), and \_\_\_\_\_, with a principal place of business at \_\_\_\_\_ (“**Franchisee**”).

**RECITALS:**

A. 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 located 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.

B. Franchisee or Franchisee’s affiliate (as applicable, called the “**Plant Store Operator**” for purposes of this Addendum) 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**”).

C. Franchisee has requested the right to develop and operate the Store under the Franchise Agreement 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 provide the dry cleaning, related processing and other production services of a full-production CD Store from the Store’s premises. 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/plant 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. The Satellite Store Standards shall be deemed a part of the Operating Plans pursuant to the Franchise Agreement.

3. 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.

4. Vehicles. Franchisee agrees to acquire and upfit one or more vehicles for use in transporting garments and other items between the Store and the Plant Store (collectively, the "**Vehicles**") 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.

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

6. Local Marketing Spending Requirement. If the Plant Store was open and operating as of December 31, 2023 (as a Legacy Plant Store), then Section 9.1.2 of the Franchise Agreement is deleted.

7. Initial Opening Promotion. Section 9.2 of the Franchise Agreement is deleted and replaced with the following:

Franchisor shall prepare an initial grand opening advertising and marketing program for the Store requiring Franchisee to spend approximately Ten Thousand Dollars (\$10,000) within the first nine (9) months after the Store first opens for business (the "Opening Marketing Program"). Franchisee agrees to execute the Opening Marketing Program in the manner that Franchisor specifies. Despite Franchisor's development of the Store's Opening Marketing Program, Franchisor makes no representation or warranty, and assumes no liability, relating to that program's impact or benefit.

8. 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.

9. Satellite Store Incentive Program. Franchisee is eligible to participate in the Satellite Store Incentive Program and receive reduced fees, as described below.

(a) Franchisee shall pay Franchisor an initial franchise fee of Six Thousand Dollars (\$6,000) 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) In addition to the parties' rights and obligations under Section 9.2 of the Franchise Agreement, and notwithstanding Section 6 above, the Opening Marketing Program shall require Franchisee to spend approximately Seventeen Thousand Five Hundred Dollars (\$17,500). Franchisee agrees to spend Ten Thousand Dollars (\$10,000) towards the Opening Marketing Program, and Franchisor agrees to cause the Marketing Fund to pay the remaining Seven Thousand Five Hundred Dollars (\$7,500).

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, 2024. If Franchisee fails to develop and open the Store in accordance with the Franchise Agreement and this Addendum on or before December 31, 2024, then Sections 9(b) and 9(c) above 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 Six Thousand Five Hundred Dollars (\$6,500), 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 9(a) above.

10. 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**  
**PUD ADDENDUM**

B-3-1

**CLEANERS DEPOT FRANCHISE, LLC**  
**PICKUP AND DELIVERY ADDENDUM**

This Pickup and Delivery Addendum (the “**Addendum**”) with an effective date of \_\_\_\_\_, 202\_\_ (the “**Effective Date**”), is made by and among Cleaners Depot Franchise, LLC, a Nevada limited liability company, with its principal place of business One Mid America Plaza, Suite 125, Oakbrook Terrace, IL 60181 (“**Franchisor**”), Clean on Wheels, LLC, an Illinois limited liability company, with its principal place of business at One Mid America Plaza, Suite 125, Oakbrook Terrace, IL 60181 (“**COW**”), and \_\_\_\_\_ with a principal place of business at \_\_\_\_\_ (“**Franchisee**”).

**RECITALS:**

A. Franchisor and Franchisee are parties to that certain Franchise Agreement dated as of \_\_\_\_\_ (as amended, the “**Franchise 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**”). All initial capitalized terms used but not defined in this Addendum shall have the meanings set forth in the Franchise Agreement).

B. Franchisor offers a program to provide pickup and delivery services that Franchisor specifies (as Franchisor may periodically modify them, collectively, the “**PUD Services**”) from the Store, and Franchisee agrees to provide PUD Services from the Store, and obtain services from COW, all in accordance with the terms and conditions of this Addendum and 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. Acknowledgements and Agreement to Provide PUD Services. Franchisee acknowledges that the standards, specifications, operating procedures and rules applicable to providing PUD Services, as Franchisor may periodically promulgate and modify them (collectively, the “**PUD Standards**”), have evolved over time as Franchisor’s affiliates and certain franchisees have tested and refined the model and procedures for offering PUD Services as well as the marketing of PUD Services to consumers. Franchisee agrees to provide the PUD Services from the Store during the term of this Addendum in accordance with the PUD Standards and the terms and conditions of this Addendum and the Franchise Agreement. Franchisee must offer all PUD Services that Franchisor periodically specifies. Franchisee shall use its best efforts to maximize the Gross Revenue generated by the PUD Services, subject to and in compliance with this Addendum and the Franchise Agreement.

2. Training. Franchisor agrees to provide an initial training program to Franchisee on the performance of PUD Services and the use of the Order Processing System (the “**Initial PUD Training**”). Franchisee (or its Designated Principal) and either the Store’s general manager or assistant manager must complete the Initial PUD Training to Franchisor’s satisfaction before Franchisee may provide PUD Services. Franchisee’s trained personnel must then provide training to Franchisee’s drivers and other personnel on the performance of PUD Services and the use of the Order Processing System in accordance with the PUD Standards.

3. PUD Territory and Launching PUD Services. The “**PUD Territory**” means the geographic area described on Exhibit A. Subject to this Section 3, Franchisee shall advertise, market, offer and provide PUD Services only in the PUD Territory, and Franchisee may not provide any PUD Services to any location outside the PUD Territory. Franchisee may not begin providing PUD Services until Franchisor notifies Franchisee and COW that Franchisee’s personnel have completed the Initial PUD Training and COW has

completed all adaptations to and testing of the Order Processing System (defined below), including territory set up, in order to accept orders from Franchisee's PUD Services customers. Franchisee shall begin providing PUD Services under this Addendum in the PUD Territory within ten (10) business days after the date that Franchisor delivers that notice (the "**PUD Start Date**").

If the PUD Territory is divided into multiple "**Sub-Territories**" on Exhibit A, then the following provisions shall apply to Franchisee's development of PUD Services in the PUD Territory.

(a) Franchisee shall begin providing PUD Services under this Addendum only in Sub-Territory #1 beginning on the PUD Start Date. Franchisor and Franchisee agree that the staged launch of PUD Services in the PUD Territory is a critical aspect of this Addendum. Therefore, Franchisee shall advertise, market, offer and provide PUD Services only in Sub-Territory #1 on the PUD Start Date, and shall not advertise, market, offer or provide PUD Services outside of Sub-Territory #1 (including, without limitation, within other areas of the PUD Territory) except in accordance with this Section 3.

(b) Franchisee agrees to begin providing PUD Services in each additional Sub-Territory on or before each of the "**Sub-Territory Launch Deadlines**" listed on Exhibit A. Franchisee must obtain Franchisor's prior written approval before beginning to provide PUD Services in any additional Sub-Territory. Franchisee may determine, in its reasonable judgment, the particular Sub-Territory in which Franchisee begins offering PUD Services on each Sub-Territory Launch Deadline. Franchisee's failure to begin offering PUD Services in an additional Sub-Territory on or before the Sub-Territory Launch Deadline is a breach of this Addendum.

4. Initial Opening Promotion. In addition to the advertising and marketing otherwise required by the Franchise Agreement, Franchisor shall prepare an initial grand opening advertising and marketing program for the PUD Services requiring Franchisee to spend approximately Seventeen Thousand Five Hundred Dollars (\$17,500) within the first nine (9) months after the PUD Start Date (the "**PUD Opening Marketing Program**"). Franchisee agrees to execute the PUD Opening Marketing Program in the manner that Franchisor specifies. Franchisee agrees to spend Ten Thousand Dollars (\$10,000) towards the PUD Opening Marketing Program, and Franchisor agrees to cause the Marketing Fund to pay the remaining Seven Thousand Five Hundred Dollars (\$7,500). Despite Franchisor's development of the PUD Opening Marketing Program, Franchisor makes no representation or warranty, and assumes no liability, relating to that program's impact or benefit.

5. Customers and Standard Terms. Franchisee agrees to provide the PUD Services by collecting garments and other approved items only from, and delivering garments and other approved items only to, Standard Customers and approved Non-Standard Customers (each as defined below) and by cleaning and otherwise processing those garments and other approved items only at the Store. Franchisor shall develop, and may periodically modify, standard terms and conditions under which Franchisee and certain other CD Stores will provide PUD Services to customers, including, without limitation, delivery schedules and various suggested discounts, coupons and promotions that Franchisor periodically implements (collectively, the "**Standard Terms**"). "**Standard Customers**" means customers who enroll through the Order Processing System (defined below) for PUD Services to be provided under the Standard Terms, and "**Non-Standard Customers**" means customers who enroll through the Order Processing System for PUD Services to be provided under terms and conditions that differ in any respect from the Standard Terms offered to Standard Customers. Franchisee agrees to provide PUD Services in accordance with this Addendum and the Franchise Agreement to all Standard Customers (including residential or business customers, if any) on the Standard Terms at all locations within the PUD Territory. With respect to Non-Standard Customers:

(a) Franchisee may not provide any PUD Services to any Non-Standard Customer without Franchisor's and COW's prior account review and approval of the terms and conditions;

(b) if Franchisee desires to provide PUD Services to any Non-Standard Customer, Franchisee shall provide Franchisor and COW the information they periodically request concerning the customer, the locations at which Franchisee would be providing PUD Services, and any proposed variations to the Standard Terms, and Franchisee agrees to pay Franchisor and COW a reasonable fee to cover their costs associated with their review of the Non-Standard Customer opportunity and, if applicable, any changes that need to be made to the Order Processing System at Franchisee's request to address the requirements of the Non-Standard Customer; and

(c) if Franchisee, at its option, chooses to provide PUD Services to a Non-Standard Customer at one or more locations within the PUD Territory, Franchisee must continue to provide those PUD Services at those locations for the duration of the applicable contractual arrangement with that Non-Standard Customer.

Franchisee may not provide any PUD Services to (i) any customer at any location outside the PUD Territory, (ii) any customer who does not enroll through the Order Processing System in accordance with its processes and requirements, or (iii) any Non-Standard Customer that Franchisor has not approved.

6. Referral Sources. Franchisor or COW may, at their respective sole options, negotiate with property managers for apartment or condominium buildings and other referral sources who represent, purport to represent or otherwise have relationships with any group of Standard Customers or approved Non-Standard Customers for PUD Services in the PUD Territory (collectively, "**Referral Sources**"). Franchisee agrees to pay to the Referral Source all referral fees and other amounts that Franchisor or COW reasonably agree to pay to Referral Sources for referrals or otherwise to gain access to these customers, provided that the aggregate referral fee paid to any Referral Source does not exceed five percent (5%) of the Gross PUD Revenue (defined below) that is generated from the customers whom the Referral Source represents.

7. Branding and Standards for PUD Services.

(a) Franchisee shall provide PUD Services under the trademarks and service marks that Franchisor periodically specifies, currently "CD One Pickup & Delivery" and/or "CD One Pickup & Delivery Powered by Scamper™," which shall both be Proprietary Marks under the Franchise Agreement, and/or such other Proprietary Marks as Franchisor may periodically specify. Franchisee shall comply with all applicable Franchise Agreement provisions concerning these Proprietary Marks and shall display only those Proprietary Marks that Franchisor periodically designates for use with the PUD Services in the manner that Franchisor periodically specifies.

(b) Franchisee shall maintain, or cause its employees to maintain, all owned or leased vehicles used in connection with the performance of PUD Services (collectively, the "**PUD Vehicles**") in accordance with Franchisor's standards and may only use the PUD Vehicles that Franchisor periodically approves to provide PUD Services. If Franchisor approves, Franchisee may launch PUD Services utilizing one or more personal transportation vehicles, owned by the Franchisee or an employee of Franchisee, without the requirement to display the Proprietary Marks. However, Franchisor has the right to require Franchisee to utilize a larger vehicle (including any vehicle Franchisee utilizes to provide production support services between its (or its affiliates') full production/plant CD Store and satellite CD Store(s)) or to purchase or lease a larger non-personal vehicle which must display the Proprietary Marks in the manner that Franchisor periodically specifies upon ninety (90) days' notice to Franchisee. Franchisee must ensure that Franchisee (and, as applicable, its employees) obtain and maintain all additional insurance coverages that Franchisor

periodically specifies in accordance with Section 10 of the Franchise Agreement covering the PUD Vehicles and the performance of PUD Services at Franchisee's expense.

(c) Franchisee agrees to obtain all computer and other equipment, technology (including, without limitation, customer management software) and other products and services that Franchisor periodically specifies to provide PUD Services in accordance with this Addendum and the Franchise Agreement. At Franchisor's option, Franchisee agrees to acquire such equipment, technology and other products and services only from suppliers that Franchisor periodically designates or approves, which may include or be limited to Franchisor or its affiliates in accordance with Section 6.4 of the Franchise Agreement.

(d) Franchisee shall comply with all PUD Standards, other Operating Plans, and other applicable provisions of the Franchise Agreement in connection with providing the PUD Services, including, without limitation, by (i) complying with all pricing requirements, plans and restrictions that Franchisor periodically specifies (as Franchisor may periodically modify them), in each case to the maximum extent the law allows, concerning the PUD Services; (ii) providing PUD Services on the days and during the hours that Franchisor periodically specifies; (iii) maintaining the customer service standards (including, without limitation, customer response times) that Franchisor periodically specifies; and (iv) adhering to all PCI data security standards and related requirements.

## 8. Order Processing.

(a) In accordance with Section 6.4 of the Franchise Agreement, Franchisor hereby designates COW as the current exclusive provider of, and COW hereby agrees to use commercially reasonable efforts to provide to Franchisee, order processing services with respect to orders for PUD Services from Franchisee's Standard Customers and approved Non-Standard Customers ("**Orders**") according to this Section 7 (as COW may update and modify them from time to time, collectively, the "**Order Processing Services**"). COW shall process the Orders and provide the Order Processing Services through the "**Order Processing System.**" The Order Processing System may vary from time to time, but currently includes a technology solution through which customers can place Orders and pay for the PUD Services through a website accessible by a computer or an app that customers download on their mobile phones and a mechanism for CD Store operators and their drivers to plan routes and track Orders. COW will use commercially reasonable efforts to provide Order Processing Services consistent with prevailing standards in the industry, but does not provide any warranty or guaranty that the Order Processing Services will be error-free or uninterrupted. Franchisee hereby waives any claim against Franchisor and COW, whether for lost revenue or otherwise, due to the failure to provide Order Processing Services or any errors associated with the Order Processing Services. Franchisee agrees to sign or otherwise consent to the terms of use or similar agreement that COW periodically specifies concerning its and its authorized personnel's access to and use of the Order Processing System.

(b) Franchisee acknowledges and agrees that, as between Franchisee and COW, COW (or its designee) shall own all intellectual property and other rights in and to the Order Processing System and the technology used to provide Order Processing Services. All Order information, prospective and actual customer data, and other information generated by or stored in the Order Processing System or that is otherwise developed in connection with from offering and providing the PUD Services is Franchisor's confidential information subject to the provisions of Section 8.3 of the Franchise Agreement.

(c) Under the current Order Processing System, Standard Customers and approved Non-Standard Customers will pay the credit card/payment processor whom COW periodically designates (the "**Payment Processor**") for all Orders, and the Payment Processor will pay

Franchisee those amounts (net of the Payment Processor's fees) in accordance with the Payment Processor's standard practices. Franchisee shall sign such agreements and other documents that COW periodically specifies with the Payment Processor and other suppliers to effectuate the payments under the Order Processing System.

(d) Franchisee acknowledges and agrees that Franchisor and/or COW may periodically modify the features, functionality and other aspects of the Order Processing System, including, without limitation, utilizing additional third-party software and/or other third-party technology and services and the types, processes and means of providing Order Processing Services, from time to time during the term of this Addendum upon notice to Franchisee.

9. Customer Success Management. Franchisor or its designee shall manage and (at Franchisor's option) address questions, concerns, inquiries, or issues from customers concerning the PUD Services, the customer's individual account, the Order Processing System, payment issues, customer service concerns, and other issues that customarily arise in connection with CD Stores' prospective or existing customers for PUD Services in order to support customer acquisition and retention for PUD Services. At Franchisor's option, Franchisee must acquire licenses for or other rights to use any customer support software or other technology that Franchisor periodically designates. Franchisor may communicate directly with Franchisee's employees and prospective and existing customers concerning any of these customer acquisition and retention issues and may, at Franchisor's option and Franchisee's expense, address any customer complaints and customer satisfaction issues that arise in connection with any Orders or Franchisee's PUD Services. Franchisee agrees to abide by Franchisor's customer service resolution agreements and decisions, including, without limitation, with respect to any refunds or credit amounts for customer retention purposes, provided that Franchisor shall not (without Franchisee's consent) provide a refund or credit of more than Twenty-Five Dollars (\$25) per customer per Order.

10. Reports. Franchisee agrees to provide Franchisor with such regular reports relating to the PUD Services as Franchisor may reasonably request, including, without limitation, reports on the production costs, supply costs and driver efficiency needed to perform the PUD Services.

11. Fees and Marketing Fund Contributions. Franchisee agrees to pay the following fees during the term of this Addendum based on the Gross Revenue generated by the PUD Services (collectively, the "**Gross PUD Revenue**") (which, for the avoidance of doubt, shall not reflect a deduction for any fees or costs associated with providing the PUD Services):

(a) to Franchisor, a royalty fee in accordance with Section 4.2 of the Franchise Agreement in an amount equal to six and one-half percent (6.5%) of the Gross PUD Revenue (regardless of the royalty rate payable with respect to other Gross Revenues of the Store), which shall be subject to the potential Rebate Credit under Section 4.2.3 of the Franchise Agreement;

(b) to Franchisor, a standard contribution to the Marketing Fund under Section 9.3 of the Franchise Agreement;

(c) to Franchisor, additional contributions to the Marketing Fund for the "**Customer Acquisition Payments**" in an amount equal to three and one-half percent (3.5%) of Gross PUD Revenue for each Standard Customer and approved Non-Standard Customer;

(d) to Franchisor, additional contributions to the Marketing Fund for the "**Customer Development and Retention Payments**" in an amount equal to two percent (2%) of the Gross PUD Revenue, which shall be used to cover certain of the costs associated with the development, maintenance and operation of the customer development and retention function described in Section 8 above; and

(e) to COW, a technology fee (a “**Technology Fee**”) in an amount equal to five percent (5%) of the Gross PUD Revenue as compensation for the Order Processing Services.

Franchisee agrees that Franchisor may collect the Customer Acquisition Payments and Customer Development and Retention Payments (which Franchisor shall deposit into the Marketing Fund), and COW may collect the Technology Fee, via EFT or through such other payment mechanism, and on the schedule, that Franchisor periodically specifies in accordance with Section 4.3 of the Franchise Agreement. Franchisee agrees continuously to monitor the Order Processing System and report to Franchisor or COW any discrepancies with respect to the Customer Acquisition Payments, Customer Development and Retention Payments and Technology Fees paid on Orders within sixty (60) days after completion of the Order. Franchisee’s failure to report any discrepancies within such sixty (60)-day period shall be deemed Franchisee’s irrevocable acceptance of the amounts owed by Franchisee on those respective Orders. Franchisor may, upon sixty (60) days’ prior written notice to Franchisee, modify from time to time the methods of calculating and paying the Customer Acquisition Payments and/or the Technology Fee for Franchisee and all similarly situated CD Store franchisees.

12. Term and Termination.

(a) The term of this Addendum shall continue until the expiration or earlier termination of the Franchise Agreement, unless sooner terminated in accordance with this Section 11.

(b) Without limiting Franchisor’s rights and remedies under the Franchise Agreement or applicable law, Franchisor may terminate this Addendum and Franchisee’s rights to provide PUD Services (at Franchisor’s option, with or without terminating the Franchise Agreement) if Franchisee breaches any of its obligations under this Addendum and does not correct that breach to Franchisor’s satisfaction within ten (10) days after Franchisor’s delivery of written notice to Franchisee.

13. Miscellaneous. This Addendum is an amendment to, and forms a part of, the Franchise Agreement. Franchisee acknowledges and agrees that its breach of, failure to comply with, or default under this Addendum (including, without limitation, failure to maintain the customer service standards that Franchisor periodically specifies for PUD Services) shall constitute a breach of, failure to comply with, or default under 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 among Franchisor, COW and Franchisee, and there are no oral or other written understandings, representations or agreements among Franchisor, COW 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, COW 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

**COW:**

**CLEAN ON WHEELS, LLC,** an Illinois  
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**

**PUD Territory and Sub-Territories**

The PUD Territory is defined as the entire territory encompassed by \_\_\_\_\_ in the State of \_\_\_\_\_. If the PUD Territory is identified by city or other political subdivisions, political boundaries will be considered fixed as of the Effective Date, notwithstanding any political reorganization or change to the boundaries. The PUD Territory and, if applicable, any Sub-Territories 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. All street boundaries will be deemed to end at the street center line unless otherwise specified.

If the PUD Territory is divided into Sub-Territories, then the following are the Sub-Territory Launch Deadlines:

Sub-Territory #1	PUD Start Date
Sub-Territory #2	_____, 202__
Sub-Territory #3	_____, 202__
Sub-Territory #4	_____, 202__

**FRANCHISOR**

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

By: : \_\_\_\_\_  
Rafiq Karimi  
Manager

**DEVELOPER:**

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

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

## MAP OF AREA



**EXHIBIT B-4**

**RENEWAL ADDENDUM**

**CLEANERS DEPOT FRANCHISE, LLC**  
**RENEWAL ADDENDUM**

This Renewal 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 One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181 (“**Franchisor**”), and \_\_\_\_\_ with a principal place of business at \_\_\_\_\_ (“**Franchisee**”).

**RECITALS:**

A. 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**”).

B. 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. Expiration 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. Franchisee acknowledges its obligation pursuant to the Former Agreement to remodel the Store, replace improvements and operating assets, and otherwise modify the Store to bring it into compliance with the Operating Plans applicable to newly-constructed CD Stores at the time of signing the Franchise Agreement. Attached as Exhibit A is the list of repairs, improvements and refurbishments for the Store that Franchisor required as a condition to its granting Franchisee a renewal or successor franchise under the Franchise Agreement (collectively, the “**Upgrades**”). Without limiting Franchisor’s other rights and remedies under New Franchise Agreement, Franchisee agrees to perform the Upgrades at the Store in accordance with the Franchise Agreement, to the extent they were not so completed as of the Effective Date, on or before the dates listed on Exhibit A. 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.

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. Minimum Local Advertising Spending Requirement. Because Franchisee operated the Store under the Former Agreement, Section 9.1.2 of the Franchise Agreement is deleted.

8. 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 they may have under any law limiting the effect of releases, to the fullest extent that they 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 they 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 8 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.

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 A**

**Upgrades**

	<b>Task</b>	<b>Required Completion Date</b>
1		
2		
3		
4		
5		
6		

•

**EXHIBIT C**  
**DEVELOPMENT RIGHTS AGREEMENT**

**CLEANERS DEPOT FRANCHISE, LLC  
DEVELOPMENT RIGHTS AGREEMENT**

This Development Rights 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 One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181 (“**Franchisor**”), and \_\_\_\_\_ with a principal place of business at \_\_\_\_\_ (“**Developer**”).

**RECITALS:**

A. Franchisor and its affiliates, as the result of the expenditure of time, skill, effort and money, have 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 their proprietary operating plans and the Proprietary Marks (as defined below) (“**CD Stores**”). CD Stores that contain dry cleaning machines, pressing equipment and related equipment that Franchisor specifies (“**Dry Cleaning Equipment**”) and offer on-premises dry cleaning are called “**Plant Stores**.” 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, are called “**Satellite Stores**.”

B. Franchisor identifies CD Stores by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin as are now or may hereafter be designated by Franchisor (the “**Proprietary Marks**”).

C. Prior to or simultaneously with signing this Agreement, Franchisor and Developer signed or are signing a franchise agreement dated as of \_\_\_\_\_, 20\_\_ pursuant to which Developer operates or will operate a CD Store (as amended, the “**Current Franchise Agreement**”). Franchisor and Developer are signing this Agreement because Developer would like the right to develop and operate a number of CD Stores within a certain geographic area over a certain period of time, and Franchisor is willing to grant Developer such rights if it complies with this Agreement’s terms.

**NOW, THEREFORE**, in consideration of the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of Development Rights. Subject to Developer’s compliance with this Agreement, Franchisor hereby grants Developer (and/or any of Developer’s approved Affiliated Entities) the right, and Developer assumes the obligation, to sign Franchise Documents (defined below) to develop and open \_\_\_\_\_ (\_\_) new CD Stores (in addition to the CD Store contemplated by the Current Franchise Agreement), comprised of \_\_\_\_\_ (\_\_) Plant Stores and \_\_\_\_\_ (\_\_) Satellite Stores, according to the mandatory development schedule (the “**Schedule**”) identified on Exhibit A to this Agreement, and within the geographic area described on Exhibit B to this Agreement (the “**Area**”). In this Agreement, the term “**Affiliated Entity**” means any corporation, limited liability company or other business entity of which Developer or

its majority owner(s) owns at least fifty-one percent (51%) of the total authorized ownership interests, as long as Developer or such owner(s) have the right to control the entity's management and policies.

2. Territorial Rights. Provided Developer and its Affiliated Entities are in full compliance with this Agreement and all other agreements between Developer (or any of the Affiliated Entities) and Franchisor (or any of its affiliates), including, without limitation, the Current Franchise Agreement and all other franchise agreements then in effect for the operation of CD Stores, then, during this Agreement's term only, except as otherwise provided in this Agreement, Franchisor will not operate, or grant a franchise for the operation of, a CD Store the physical premises of which are located within the Area. Developer acknowledges and agrees that Franchisor reserves all other rights and may exercise any and all of the rights, and engage in any and all of the other activities, that Franchisor now reserves in the Current Franchise Agreement (and related documents) during its term. After this Agreement expires or is terminated, regardless of the reason, Franchisor and its affiliates may operate and grant franchises for the operation of CD Stores and otherwise engage, and allow others to engage, in any activities Franchisor desires within and outside the Area without any restrictions whatsoever, subject only to Section 10 below and Developer's (or any Affiliated Entity's) rights under franchise agreements with Franchisor then in effect.

3. Development Fee. Simultaneously with signing this Agreement, Developer must pay Franchisor a "**Development Fee**" of \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_,000.00), which is Five Thousand Dollars (\$5,000) multiplied by the number of CD Stores that Developer agrees to develop under the Schedule. The Development Fee is fully earned by Franchisor when this Agreement is signed and is non-refundable, except as provided in Section 5 below.

4. Development Obligations. To maintain Developer's rights under this Agreement, Developer and/or approved Affiliated Entities must sign franchise agreements for, develop, and open for business the agreed-upon number of Plant Stores and Satellite Stores within the Area by the dates set forth on the Schedule. Developer acknowledges that (a) the first CD Store that Developer (or one of its Affiliated Entities) operates, which may be operated under the Current Franchise Agreement, must be a Plant Store in order to provide dry cleaning, processing and production of garments to both the Plant Store and other Satellite Stores; and (b) Developer's right to develop and operate Satellite Stores in the Area is conditioned upon Developer's (or its Affiliated Entity's) ability to service those Satellite Stores from their nearby Plant Store(s). Therefore, Developer must develop the Plant Store(s) and Satellite Store(s), as applicable, in the order referenced on the Schedule. Franchisor may, at its sole option, refuse to approve Developer's (or its Affiliated Entity's) development of a Satellite Store at any location, and may require the development of a Plant Store instead, consistent with the Schedule, if Franchisor believes (in its sole judgment) that doing so is preferable to maintain high quality standards for customer service in the market that those CD Stores serve.

5. Franchise Documents. Developer or an Affiliated Entity will operate each CD Store under a separate franchise agreement (and related documents) with Franchisor. Franchisor will apply Five Thousand Dollars (\$5,000) of the Development Fee towards the initial franchise fee owed under each franchise agreement that Developer or its Affiliated Entities sign pursuant to this Agreement. If the initial franchise fee owed under any such franchise agreement is less than

Five Thousand Dollars (\$5,000), then Franchisor will refund the difference to Developer or the applicable Affiliated Entity when such franchise agreement is signed. The franchise agreement (and related documents) that Developer or its Affiliated Entity will sign for each CD Store will be Franchisor's then current form of franchise agreement and related documents, including, without limitation, applicable addenda and personal guarantees (collectively, the "**Franchise Documents**"), any or all of the terms of which may differ substantially from the terms contained in the Current Franchise Agreement, except that the royalty fee shall not be greater than the amount reflected in Section 4.2 of the Current Franchise Agreement (without considering any new market incentive program or other temporary discounts that might otherwise apply under the Current Franchise Agreement). To retain Developer's rights under this Agreement, each CD Store opened pursuant to this Agreement must operate continuously throughout this Agreement's term.

6. No Sublicensing Rights or Rights to Use Proprietary Marks. This Agreement does not grant Developer any right to license others to operate CD Stores. Only Developer (and its approved Affiliated Entities) may open and operate CD Stores pursuant to this Agreement and only under Franchise Documents with Franchisor. This Agreement does not grant Developer any right to engage in the business of offering, selling or distributing goods or services under the Proprietary Marks or to use, or authorize others to use, the Proprietary Marks in any manner. Developer's right to use the Proprietary Marks arises only under franchise agreements with Franchisor. Franchisor owns all rights to the Proprietary Marks, and Developer's unauthorized use of the Proprietary Marks is an infringement of Franchisor's rights and a breach of this Agreement.

7. Site Selection and Acceptance. Franchisor will provide Developer reasonable assistance in locating CD Store sites within the Area and, at Franchisor's option, might recommend sites. Notwithstanding any assistance or recommendations that Franchisor might provide with respect to any site, Developer acknowledges and agrees that Franchisor has made and will make no representations or warranties of any kind, express or implied, of the suitability of any site for a CD Store or any other purpose or of the likelihood that Franchisor ultimately will accept the site. Franchisor's recommendation indicates only that Franchisor believes that the site meets or has the potential to meet, 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 recommends or 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 a site to meet Franchisor's or Developer's expectations. Developer acknowledges that those criteria may vary for Plant Stores and Satellite Stores. Developer acknowledges and agrees that its acceptance of a franchise for a CD Store will be based on Developer's own independent investigation of the suitability of the site.

Developer must obtain Franchisor's written acceptance of the proposed CD Store site. Franchisor will not unreasonably withhold its acceptance of a site that meets its criteria, but Franchisor has the absolute right to withhold its acceptance of any site that does not meet these criteria. Developer must submit the information that Franchisor requests when it proposes a site. Franchisor will use reasonable efforts to review and accept or reject the sites Developer proposes within thirty (30) days after receiving all requested information and materials.

8. Grant of Franchises. Along with site information, Developer agrees to give Franchisor all information and materials it requests to assess Developer's (or its Affiliated Entity's) financial and operational ability to develop and operate each proposed CD Store. If Franchisor accepts a proposed site and approves Developer's (or its Affiliated Entity's) financial and operational ability to develop and operate the proposed CD Store, then Developer or its approved Affiliated Entity (and its or the Affiliated Entity's owners) must sign separate Franchise Documents for that CD Store. If Developer or the Affiliated Entity (and its or the Affiliated Entity's owners) do not do so, or are unable to obtain lawful possession of the proposed site within a reasonable time after Franchisor accepts of the proposed site, Franchisor may withdraw its acceptance. Neither Developer nor any Affiliated Entity may sign any lease or sublease for a site without Franchisor's acceptance of the lease or sublease and first signing, and complying with, the Franchise Documents. After Developer (or its Affiliated Entity) signs the Franchise Documents, their terms and conditions will control the development and operation of the CD Store.

9. Term. This Agreement's term begins on the Effective Date and ends on the date when (a) the final CD Store under the Schedule has been opened or is scheduled to be opened, whichever is earlier, or (b) this Agreement otherwise is terminated.

10. Right of First Offer After Expiration. If Developer has fully complied with this Agreement (including the Schedule) throughout its term, and Developer and its Affiliated Entities have fully complied with all other agreements between Developer (or any of its Affiliated Entities) and Franchisor (or any of its affiliates), including, without limitation, the Current Franchise Agreement and all other franchise agreements for the operation of CD Stores, throughout the term of this Agreement then, for a period beginning when the final CD Store under the Schedule has been opened in accordance with this Agreement and continuing for two (2) years thereafter, Developer shall have a right of first offer for new CD Store development in the Area in accordance with this Section 10. At any time during that two (2)-year period, provided Developer and its Affiliated Entities are then in full compliance with all other agreements between Developer (or any of the Affiliated Entities) and Franchisor (or any of its affiliates), including, without limitation, the Current Franchise Agreement and all other franchise agreements then in effect for the operation of CD Stores, if 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 Area (the "**Proposed Site**"), and further subject to any restrictions under applicable law, Franchisor will first offer Developer (or its Affiliated Entity) the opportunity to acquire the right to develop and operate a CD Store at the Proposed Site by delivering written notice to Developer.

(a) Developer will then have thirty (30) days after receiving Franchisor's notice to notify Franchisor in writing whether Developer to exercise its rights under this Section 10. Together with Developer's notice, Developer must complete and send Franchisor the forms and other information Franchisor then requires demonstrating Developer's (or its Affiliated Entity's) financial and operational ability to develop and operate the CD Store at the Proposed Site. If Developer (or its Affiliated Entity) meets Franchisor's then current qualifications, Franchisor will, subject to any restrictions under applicable law, deliver to Developer (or that Affiliated Entity) within a reasonable time after receiving Developer'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 the Current Franchise Agreement.

(b) If:

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

(ii) Developer informs Franchisor that Developer decides not to exercise its rights under this Section 10 or Developer fails to notify Franchisor of Developer's decision to exercise those rights within the thirty (30)-day period described in subsection (a) above; or

(iii) Developer is not eligible to exercise its rights under this Section 10 because Developer and its Affiliated Entities are not then in full compliance with all other agreements between Developer (or any of the Affiliated Entities) and Franchisor (or any of its affiliates), or Developer (or its Affiliated Entity) does not meet Franchisor's then current qualifications for CD Store franchisees;

then Franchisor shall notify Developer in writing of Developer's ineligibility for the right of first offer under this Section 10 with respect to such Proposed Site, and Franchisor thereafter at any time and without obligation to Developer 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.

11. Termination. Franchisor may terminate this Agreement and Developer's right to develop additional CD Stores within the Area at any time, effective upon delivery of written notice of termination: (a) if Developer fails to satisfy either its development obligations under the Schedule or any other obligation under this Agreement, which defaults Developer has no right to cure; or (b) if the Current Franchise Agreement or any other franchise agreement between Franchisor and Developer (or any Affiliated Entity) for a CD Store is terminated by Franchisor or Developer (or the Affiliated Entity) for any reason.

12. Transfer. Developer and its owners acknowledge that Franchisor is granting Developer the rights under this Agreement because of Franchisor's perception of Developer's (and its owners') individual and collective character, skill, business acumen, financial capability and ability to operate CD Stores according to Franchisor's standards. These rights are personal to Developer and its owners. Therefore, neither Developer nor any of its direct or indirect owners may transfer (as defined in the Current Franchise Agreement) this Agreement or any direct or indirect ownership interests in Developer without Franchisor's prior written approval, which Franchisor may grant or withhold for any or no reason. Franchisor may transfer this Agreement or any of Franchisor's direct or indirect ownership interests without restriction.

13. Incorporation of Other Terms. Sections 18 through 24 of the Current Franchise Agreement, entitled “Independent Contractor; Indemnification,” “Waivers; Remedies; Atypical Modifications,” “Notices,” “Entire Agreement,” “Severability and Construction,” “Applicable Law and Dispute Resolution,” and “No Waiver or Disclaimer of Reliance in Certain States,” respectively, are incorporated by reference in this Agreement and will govern all aspects of this Agreement and Franchisor’s and Developer’s relationship as if fully restated within the text of this Agreement. The Recitals are incorporated into this Agreement by this reference.

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Agreement effective as of the Effective Date.

**FRANCHISOR:**

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

By: \_\_\_\_\_  
Rafiq Karimi  
Manager

**DEVELOPER:**

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

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

**EXHIBIT A**  
**TO DEVELOPMENT RIGHTS AGREEMENT**

Developer agrees to open \_\_\_\_\_ (\_\_) additional CD Stores within the Area, in addition to the CD Store covered by the Current Franchise Agreement and any other CD Stores already located in the Area, according to the following Schedule:

Store Opening by (Date)	Plant Store or Satellite Store	Cumulative Number of New CD Stores To Be Opened and Operating No Later Than the Opening Date (in Previous Column)

**FRANCHISOR:**

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

By: \_\_\_\_\_  
Rafiq Karimi  
Manager

**DEVELOPER:**

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

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

**EXHIBIT B**  
**TO DEVELOPMENT RIGHTS AGREEMENT**

The Area is defined as the entire territory encompassed by \_\_\_\_\_ in the State of \_\_\_\_\_. If the Area is identified by city or other political subdivisions, political boundaries will be considered fixed as of the Effective Date, notwithstanding any political reorganization or change to the boundaries. The Area is depicted on the map attached to this Exhibit B. However, if there is an inconsistency between the language in this Exhibit B and the attached map, the language in this Exhibit B shall control. All street boundaries will be deemed to end at the street center line unless otherwise specified.

**FRANCHISOR**

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

By: \_\_\_\_\_  
Rafiq Karimi  
Manager

**DEVELOPER:**

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

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

## MAP OF AREA

**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:

\_\_\_\_\_  
One Mid America Plaza  
Suite 125  
Oakbrook Terrace, Illinois 60181  
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 E**  
**FINANCIAL STATEMENTS**



**AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 29, 2023**

**Cleaners Depot Franchise, LLC**  
**Audit Report**  
**For the Year Ended December 29, 2023**

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# Selden Fox

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## INDEPENDENT AUDITOR'S REPORT

### Members

Cleaners Depot Franchise, LLC  
Oakbrook Terrace, Illinois

We have audited the accompanying financial statements of **Cleaners Depot Franchise, LLC** which comprise the balance sheet as of December 29, 2023 and December 30, 2022, 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 29, 2023, and December 30, 2022, 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.

### Correction of an Error

As described in Note 11 to the financial statements, certain errors were noted in Cleaners Depot Franchise, LLC's prior year financial statements related to accrued interest expense on the installment notes payable with the United States Small Business Administration, and an adjustment has been made to members' equity as of December 30, 2022, to correct the error. Our opinion is not modified with respect to these matters.

### 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 22, 2024

**Cleaners Depot Franchise, LLC  
Balance Sheet**

<b>Assets</b>	<b>December 29, 2023</b>	<b>December 30, 2022 Restated</b>
Current assets:		
Cash	\$ 310,463	\$ 801,544
Restricted cash	87,660	138,831
Investments	2,802,853	1,853,009
Royalty and marketing fees receivable	-	11,860
Prepaid expenses	8,862	34,781
<b>Total current assets</b>	<b>3,209,838</b>	<b>2,840,025</b>
Property and equipment at cost, less accumulated accumulated depreciation and amortization of \$5,982 at December 29, 2023 (\$5,860 at December 30, 2022)	25,445	1,778
Operating lease right-of-use asset	303,616	-
Security deposits	6,727	10,027
<b>Total assets</b>	<b>\$ 3,545,626</b>	<b>\$ 2,851,830</b>
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Accounts payable	\$ 6,789	\$ 14,332
Accrued payroll and paid time off	17,727	16,231
Accrued royalty rebate	186,120	177,988
Accrued interest	61,466	83,835
Operating lease liability - current	40,944	-
Margin loan	707,835	901,714
<b>Total current liabilities</b>	<b>1,020,881</b>	<b>1,194,100</b>
Long-term liabilities:		
Operating lease liability - noncurrent	305,232	-
Loans payable	2,000,000	2,000,000
<b>Total long-term liabilities</b>	<b>2,305,232</b>	<b>2,000,000</b>
<b>Total liabilities</b>	<b>3,326,113</b>	<b>3,194,100</b>
Members' equity (deficit)	219,513	(342,270)
<b>Total liabilities and members' equity</b>	<b>\$ 3,545,626</b>	<b>\$ 2,851,830</b>

See accompanying notes.

**Cleaners Depot Franchise, LLC**  
**Statement of Members' Equity**

---

Members' equity at December 31, 2021	\$ 390,846
Capital contributed	-
Capital withdrawals	(1,005,000)
Net income, as restated (See Note 11)	<u>271,884</u>
Members' equity at December 30, 2022, as restated	(342,270)
<b>Capital contributed</b>	<b>185,944</b>
<b>Capital withdrawals</b>	<b>(999,900)</b>
<b>Net income</b>	<b><u>1,375,739</u></b>
<b>Members' equity at December 29, 2023</b>	<b><u>\$ 219,513</u></b>

See accompanying notes.

**Cleaners Depot Franchise, LLC**  
**Statement of Income**

	<b>For the Year Ended December 29, 2023</b>	<b>For the Year Ended December 30, 2022</b> Restated
<b>Revenues:</b>		
Royalty/license fees	\$ 2,130,646	\$ 2,005,118
Marketing fund fees	1,166,394	1,111,992
Franchise fees	8,000	39,000
Economic injury disaster grant	11,515	-
Back to Business grant	-	150,000
Investment income (loss), net	857,779	(552,976)
Other income	22,000	18,500
<b>Total revenues</b>	<b>4,196,334</b>	<b>2,771,634</b>
<b>Expenses:</b>		
Accounting and tax fees	15,755	17,400
Amortization of operating lease liability	34,675	-
Auto expenses	13,168	9,328
Administrative charge	472,312	422,146
Business meals and entertainment	5,825	3,566
Company events	10,715	12,228
Computer hardware/software	46,367	45,201
Depreciation and amortization	5,473	3,187
Dues and subscriptions	12,545	2,772
Insurance	55,346	61,723
Leased equipment	4,082	8,539
Lease interest expense	12,260	-
Legal fees	66,408	39,727
Licenses, permits and fees	2,014	1,489
Loan payable interest expense	75,100	83,888
Loss on disposal of fixed assets	-	12,579
Marketing fund expenses	1,209,356	994,956
Meetings and conventions	6,734	11,967
Miscellaneous	15,318	19,784
Moving costs	41,050	9,541
Office supplies	5,429	3,850
Other professional fees	104,379	89,028
Payroll	544,573	506,131
Postage	2,445	2,429
Recruiting	15,446	6,619
Rent and utilities	2,472	76,482

(cont'd)

**Cleaners Depot Franchise, LLC**  
**Statement of Income (cont'd)**

	For the Year Ended December 29, 2023	For the Year Ended December 30, 2022 Restated
Expenses (cont'd):		
Retirement plan contribution	\$ 16,117	\$ 16,994
Security	-	653
Supplies - store purchases	1,774	103
Telephone	8,212	9,260
Training	6,737	8,784
Travel	8,508	19,181
Uniforms	-	215
	<b>2,820,595</b>	<b>2,499,750</b>
<b>Total expenses</b>		
<b>Net income</b>	<b>\$ 1,375,739</b>	<b>\$ 271,884</b>

See accompanying notes.

**Cleaners Depot Franchise, LLC**  
**Statement of Cash Flows**

	<b>For the Year Ended December 29, 2023</b>	<b>For the Year Ended December 30, 2022 Restated</b>
Cash flows from operating activities:		
Net income	\$ 1,375,739	\$ 271,884
Adjustments to reconcile net income to net cash flows from operating activities:		
Reinvested dividends	(16,226)	(12,344)
Net (gain) loss on investments	(877,477)	540,428
Depreciation and amortization	5,473	3,187
Amortization of right-of-use asset	34,675	80,251
Loss on disposal of property and equipment	-	12,579
Accretion of interest on operating lease liability	11,127	-
Changes in certain assets and liabilities:		
Receivables	11,860	120,612
Prepaid expenses	25,919	(29,620)
Security deposits	3,300	(527)
Accounts payable	(7,543)	(4,175)
Accrued payroll	1,496	720
Accrued royalty rebate	8,132	5,329
Accrued interest	(22,369)	83,935
Franchise fee deposits	-	(2,000)
Deferred rent	-	(6,340)
Operating lease liability	(3,242)	(80,251)
<b>Net cash from operating activities</b>	<b>550,864</b>	<b>983,668</b>
Cash flows from investing activities:		
Purchase of property and equipment	(29,140)	(2,286)
Purchase of investments	(146,366)	(3,057,001)
Proceeds from sales of investments	216,169	947,326
<b>Net cash from investing activities</b>	<b>40,663</b>	<b>(2,111,961)</b>
Cash flows from financing activities:		
Repayments on line of credit	-	(100,000)
Proceeds from margin loan	397,353	3,093,680
Repayment of margin loan	(591,232)	(2,199,112)
Member contributions	60,000	-
Member withdrawals	(999,900)	(1,005,000)
<b>Net cash from financing activities</b>	<b>(1,133,779)</b>	<b>(210,432)</b>

(cont'd)

**Cleaners Depot Franchise, LLC**  
**Statement of Cash Flows (cont'd)**

	<b>For the Year Ended December 29, 2023</b>	<b>For the Year Ended December 30, 2022 Restated</b>
<b>Net change in cash</b>	<b>\$ (542,252)</b>	<b>\$ (1,338,725)</b>
Cash, beginning of the year	<b>940,375</b>	2,279,100
Cash, end of the year	<b>\$ 398,123</b>	<b>\$ 940,375</b>
Balance sheet classification:		
Cash	<b>\$ 310,463</b>	\$ 801,544
Restricted cash	<b>87,660</b>	138,831
	<b>\$ 398,123</b>	<b>\$ 940,375</b>
Supplemental disclosure of noncash operating and financing activities:		
Initial recognition of right-of-use asset and operating lease liability	<b>\$ 338,291</b>	\$ -
Capital contribution of investments	<b>\$ 125,944</b>	\$ -

See accompanying notes.

## Cleaners Depot Franchise, LLC Notes to the Financial Statements

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### 1. Summary of Significant Accounting Policies

**Fiscal Year** – The Company’s fiscal year ends on the last Friday in December. Fiscal year 2023 contained fifty-two weeks and fiscal year 2022 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 or next-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-premises production area at plant/store locations. The Company also franchises smaller, satellite store locations.

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 29, 2023, the Company had 38 locations open in the United States, all of which are franchise locations.

**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. Certain significant estimates used in the preparation of these financial statements include the following:

The Company records investments at fair value. The ultimate realization of the investments is based upon future economic factors related to the investments.

**Cash** – Cash consists of bank deposits in federally insured accounts. On December 29, 2023, the deposits in excess of federally insured limits totaled \$79,257.

**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. Prior to 2023, the Company estimated the allowance based on its historical experience of the relationship between actual bad debts and net credit sales. As a result of the changes in the Company’s credit policy during 2023, the Company changed to estimating the allowance based on an analysis of specific franchisees, adjusted for current conditions and reasonable forecasts, taking into consideration the age of past due accounts and an assessment of the franchisee’s ability to pay. The Company has not established an allowance for doubtful accounts at December 29, 2023 and December 30, 2022. Accounts deemed uncollectible are charged to expense. There were no amounts due over 90 days at December 29, 2023 (\$11,861 at December 30, 2022).

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Investments** – The Company's investments are accounted for at fair value with unrealized gains and losses reported in the statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of a given measurement date. A framework has been established to provide for a fair value hierarchy that is broken down into three levels based on the reliability of observable and unobservable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Investments in common stock are valued using quoted market prices and are reported in Level 1 of the fair value hierarchy.

**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

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**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.

The Company elected to account for pre-opening services provided to a franchisee as a single performance obligation, 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.

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 year-end, affecting the cash flow of these revenue sources consisted of the following:

	<u>December 29, 2023</u>	<u>December 30, 2022</u>	<u>December 31, 2021</u>
Accounts receivable—contract revenue	<u>\$ -</u>	<u>\$ 11,860</u>	<u>\$ 115,005</u>
Deferred revenue (for recognition the following year):			
Initial franchise fees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</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.

**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. There were no affiliate-owned locations at December 29, 2023 (one at December 30, 2022). 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 2023 and 2022, 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 29, 2023, and December 30, 2022.

	<u>2023</u>	<u>2022</u>
Balance in fund at beginning of the year	\$ 47,076	\$ (69,960)
Marketing fund fees	1,166,394	1,111,992
Marketing and advertising expenses	<u>1,209,356</u>	<u>994,956</u>
Balance in fund at end of the year	<u>\$ 4,114</u>	<u>\$ 47,076</u>

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 2020, 2021, and 2022, remain subject to examination.

**Lease Accounting** – We evaluate our contracts at inception to determine if an arrangement contains a lease based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. As a lessee, we record a right-of-use (ROU) asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For leases with a term of less than 12 months (short-term lease), we will not record an ROU asset and lease liability and the payments will be recognized into net income over the lease term. ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. We include lease extensions in the lease term when it is reasonably certain that we will exercise the extension. The Company elected the private company practical expedient to use the risk-free rate based on the term of the lease as the discount rate for all leases. For lease agreements with lease and non-lease components, the Company elected the practical expedient to account for them as a single lease component. The ROU asset also includes initial direct costs and prepaid lease payments made less lease incentive, if any.

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

**1. Summary of Significant Accounting Policies (cont'd)**

**New Accounting Principle** – The Company adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 326, *Credit Losses*, using the modified retrospective method, which allows for the Company to initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, if applicable. As a result, the comparative period presented in the financial statements has not been revised and is in accordance with standards in effect for that year. ASC 326 replaces the incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected credit losses (CECL) that are expected to occur over the lifetime of the assets. This estimate must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. The CECL methodology is applicable to financial assets that are measured at amortized cost including trade accounts receivable. We adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

**Subsequent Events** – Subsequent events have been evaluated through April 22, 2024, which is the date the financial statements were available to be issued.

**2. Investments**

The Company uses a margin trading account to invest in common stock. Investment securities at December 29, 2023, and December 30, 2022 are as follows:

<b>December 29, 2023</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common stock	\$ 2,802,853	\$ -	\$ -	\$ 2,802,853

  

<b>December 30, 2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common stock	\$ 1,853,009	\$ -	\$ -	\$ 1,853,009

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

**2. Investments (cont'd)**

Realized and unrealized gains and losses on common stock for the year ended December 29, 2023, are summarized below:

	<b>2023</b>
Net realized gain (loss) for equity securities	<b>\$ (41,756)</b>
Net unrealized gain for equity securities	<b>919,207</b>
	<b>877,451</b>
Interest and dividends	<b>16,465</b>
Interest due on margin loan	<b>(36,137)</b>
	<b>\$ 857,779</b>

**3. Property and Equipment**

Property and equipment at December 29, 2023, and December 30, 2022, consists of the following:

	<b>2023</b>	<b>2022</b>
Office furniture	<b>\$ 9,352</b>	\$ -
Computer equipment	<b>7,181</b>	7,638
Leasehold improvements	<b>14,893</b>	-
	<b>31,426</b>	7,638
Total cost		
Less accumulated depreciation and amortization	<b>5,981</b>	5,860
	<b>\$ 25,445</b>	<b>\$ 1,778</b>

Depreciation and amortization expense totaled \$5,473 for the year ended December 29, 2023 (\$3,187 in 2022).

**4. 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, and again through August 18, 2023 when it was not renewed. Interest is due and payable monthly at 3.25% beginning September 18, 2020. The Company had no draws on the line of credit in 2023 and 2022, and there was no balance outstanding at December 29, 2023 and December 30, 2022.

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

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**5. Margin Loan**

The Company borrows from the brokerage firm a portion of the purchase price of the common stocks, and the stocks act as collateral for the loan balance in the margin account. Should these stocks decline in value, the brokerage firm can take action, such as issue a margin call and/or sell securities in your account, in order to maintain the required equity percentage in the account.

Additional risks include, but are not limited to, losses on investments in excess of deposits in the margin account, mandatory sales of securities at the brokerage firm's discretion as to which securities are sold and the timing of these sales and increases in the brokerage firm's house maintenance requirements without notice.

The balance in the margin loan account was \$707,835 at December 29, 2023 (\$901,714 at December 30, 2022). The Company transferred in \$410,000 and withdrew \$396,394 from the brokerage firm account in 2023 (transferred in \$1,240,000 in 2022).

**6. Note 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 on the principal balance outstanding. Interest begins accruing at the inception of the note, but payments of principal and interest commence no later than twenty-four months from the date of the original note. Total interest costs incurred were \$75,000 in 2023 and 2022. The Company made payments totaling \$97,370 in 2023 (none in 2022) which were applied against the accrued interest. Interest will continue to accrue on the original principal and future payments will continue to be applied to interest until that time all past due interest has been paid, after which monthly payments will be allocated first to interest and then principal. Future maturities of the note payable are as follows:

Year Ended December 31,	Amount
2024	\$ -
2025	29,490
2026	43,683
2027	45,350
2028	47,080
Thereafter	1,834,397
	\$ 2,000,000

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

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**7. 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 29, 2023, the Company issued royalty rebates of \$376,275 (\$339,803 in fiscal 2022), which are netted against royalty/license fees revenue in the statements of income. Rebates earned but not yet credited to the franchisees totaled \$186,120 at December 29, 2023 (\$177,988 at December 30, 2022).

**8. Operating Leases**

The Company entered into a lease agreement dated September 14, 2022, for new office space. The lease has a commencement date of January 20, 2023, and an expiration date of November 30, 2030. The monthly rent is abated for the first full ten months after the commencement date, after which monthly payments range from \$4,375 to \$5,105. Upon commencement of the lease, the Company recognized a right-of-use asset and lease liability of \$338,291.

Operating lease cost is recognized on a straight-line basis over the lease term and is included in amortization of lease liability and lease interest expense on the statement of income. Operating lease cost was \$46,935 for the year ended December 29, 2023.

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash outflows for operating leases	\$ 3,242
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The following summarizes the line items in the balance sheet related to the office lease as of December 29, 2023:

Operating right-of-use asset	\$ 303,615
Operating lease liability – current	40,944
Operating lease liability – noncurrent	305,232

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

**8. Operating Leases (cont'd)**

The future minimum lease payments in the aggregate for the next five years for noncancelable leases with initial or remaining lease terms in excess of one year consisted of the following at December 29, 2023:

<u>Year Ending December 31,</u>		
2024	\$	53,686
2025		54,896
2026		56,146
2027		57,396
2028		58,646
2029		59,896
2030	\$	<u>56,240</u>
Total lease payments		396,906
Less interest		<u>(50,730)</u>
Present value of lease liability	\$	<u>346,176</u>

The risk-free discount rate was 3.89% at lease commencement date based upon the lease term.

**9. Defined Contribution Plan**

The Company participates in the ADP Total Source Retirement Savings Plan. 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 \$16,117 in 2023 (\$16,994 in 2022).

**10. 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 year ended December 31, 2022, the Company recognized \$28,006 of royalty revenue from affiliate-owned locations. There were no affiliate-owned locations in 2023. 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 29, 2023 and December 30, 2022.

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

**11. Prior Period Restatement**

The Company restated its results for 2022 to record accrued interest expense on the installment notes payable with the United States Small Business Administration. The effect on the December 30, 2022 financial statements is summarized in the following table:

	<u>As Previously Reported</u>	<u>Correction of Errors</u>	<u>As Restated</u>
<b>Balance Sheet:</b>			
Liabilities:			
Accrued interest	\$ -	\$ 83,835	\$ 83,835
Total current liabilities	1,110,265	83,835	1,194,100
Loans payable	1,999,900	100	2,000,000
Total long-term liabilities	1,999,900	100	2,000,000
Total liabilities	3,110,165	83,935	3,194,100
Members' equity (deficit)	(258,335)	(83,935)	(342,270)
<b>Statement of Income:</b>			
Expenses:			
Loan payable interest expense	53	83,835	83,888
Miscellaneous	19,684	100	19,784
Total expenses	2,415,815	83,935	2,499,750
Net income	355,819	(83,935)	271,984
<b>Statement of Cash Flows:</b>			
Cash flows from operating activities:			
Net income	355,819	(83,935)	271,884
Changes in operating assets and liabilities – accrued interest	-	83,935	83,935



**AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 30, 2022**

**Cleaners Depot Franchise, LLC**  
**Audit Report**  
**For the Year Ended December 30, 2022**

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# Selden Fox

Accounting for your future

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## INDEPENDENT AUDITOR'S REPORT

Members  
Cleaners Depot Franchise, LLC  
Oakbrook Terrace, Illinois

We have audited the accompanying financial statements of **Cleaners Depot Franchise, LLC** which comprise the balance sheet as of December 30, 2022 and December 31, 2021, 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 30, 2022, and December 31, 2021, 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.

### 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.

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, 2023

**Cleaners Depot Franchise, LLC**  
**Balance Sheet**

<b>Assets</b>	<b>December 30, 2022</b>	<b>December 31, 2021</b>
Current assets:		
Cash	\$ 801,544	\$ 2,160,653
Restricted cash	138,831	118,447
Investments	1,853,009	271,418
Royalty and marketing fees receivable	11,860	115,005
Other receivables	-	17,467
Prepaid expenses	34,781	5,161
<b>Total current assets</b>	<b>2,840,025</b>	<b>2,688,151</b>
Property and equipment at cost, less accumulated accumulated depreciation and amortization of \$5,860 at December 30, 2022 (\$118,494 at December 31, 2021)	1,778	15,258
Security deposits	10,027	9,500
<b>Total assets</b>	<b>\$ 2,851,830</b>	<b>\$ 2,712,909</b>
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Accounts payable	\$ 14,332	\$ 18,507
Accrued payroll and paid time off	16,231	15,511
Accrued royalty rebate	177,988	172,659
Line of credit	-	100,000
Franchise fee deposits	-	2,000
Deferred rent	-	6,340
Margin loan	901,714	7,146
<b>Total current liabilities</b>	<b>1,110,265</b>	<b>322,163</b>
Long-term liabilities:		
Loans payable	1,999,900	1,999,900
<b>Total long-term liabilities</b>	<b>1,999,900</b>	<b>1,999,900</b>
<b>Total liabilities</b>	<b>3,110,165</b>	<b>2,322,063</b>
Members' equity (deficit)	(258,335)	390,846
<b>Total liabilities and members' equity</b>	<b>\$ 2,851,830</b>	<b>\$ 2,712,909</b>

See accompanying notes.

**Cleaners Depot Franchise, LLC**  
**Statement of Members' Equity**

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Members' equity at December 25, 2020	\$ 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	390,846
<b>Capital contributed</b>	-
<b>Capital withdrawals</b>	<b>(1,005,000)</b>
<b>Net income</b>	<b><u>355,819</u></b>
<b>Members' equity (deficit) at December 30, 2022</b>	<b><u>\$ (258,335)</u></b>

See accompanying notes.

**Cleaners Depot Franchise, LLC**  
**Statement of Income**

	For the Year Ended December 30, 2022	For the Year Ended December 31, 2021
<b>Revenues:</b>		
Royalty/license fees	\$ 2,005,118	\$ 1,730,676
Marketing fund fees	1,111,992	965,268
Franchise fees	39,000	5,000
Gain on extinguishment of Paycheck Protection Program loan	-	143,117
Economic injury disaster grant	-	89,203
Back to Business grant	150,000	-
Investment income (loss), net	(552,976)	4,507
Other income	18,500	-
<b>Total revenues</b>	<b>2,771,634</b>	<b>2,937,771</b>
<b>Expenses:</b>		
Accounting and tax fees	17,400	16,384
Auto expenses	9,328	5,284
Administrative charge	422,146	319,400
Business meals and entertainment	3,566	2,738
Company events	12,228	6,728
Computer hardware/software	45,201	39,113
Depreciation and amortization	3,187	6,323
Dues and subscriptions	2,772	2,979
Insurance	61,723	59,718
Leased equipment	8,539	9,535
Legal fees	39,727	25,284
Licenses, permits and fees	1,489	1,769
Loss on disposal of fixed assets	12,579	-
Marketing	-	594
Marketing fund expenses	994,956	956,552
Meetings and conventions	11,967	9,604
Miscellaneous	19,737	14,465
Moving costs	9,541	-
Office supplies	3,850	3,739
Other professional fees	89,028	80,150
Payroll	506,131	456,964
Postage	2,429	1,885
Recruiting	6,619	9,736
Rent and utilities	76,482	106,079
Retirement plan contribution	16,994	9,599
Security	653	1,214
Supplies - store purchases	103	331
Telephone	9,260	8,852
Training	8,784	5,588
Travel	19,181	9,401
Uniforms	215	-
<b>Total expenses</b>	<b>2,415,815</b>	<b>2,170,008</b>
<b>Net income</b>	<b>\$ 355,819</b>	<b>\$ 767,763</b>

See accompanying notes.

**Cleaners Depot Franchise, LLC**  
**Statement of Cash Flows**

	<b>For the Year Ended December 30, 2022</b>	<b>For the Year Ended December 31, 2021</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 355,819	\$ 767,763
Adjustments to reconcile net income to net cash flows from operating activities:		
Reinvested dividends	(12,344)	-
Net (gain) loss on investments	540,428	-
Depreciation and amortization	3,187	6,323
Amortization of right-of-use asset	80,251	-
Loss on disposal of property and equipment	12,579	-
Gain on extinguishment of Paycheck Protection Program loan	-	(143,117)
Changes in certain assets and liabilities:		
Receivables	120,612	(46,415)
Prepaid expenses	(29,620)	341
Prepaid/deferred rent	(6,340)	(23,396)
Accounts payable	(4,175)	14,695
Accrued payroll	720	15,511
Accrued royalty rebate	5,329	60,530
Franchise fee deposits	(2,000)	2,000
Security deposits	(527)	-
<b>Net cash from operating activities</b>	<b>1,063,919</b>	<b>654,235</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(2,286)	-
Purchase of investments	(3,057,001)	(261,652)
Proceeds from sales of investments	947,326	-
<b>Net cash from investing activities</b>	<b>(2,111,961)</b>	<b>(261,652)</b>
<b>Cash flows from financing activities:</b>		
Repayments on line of credit	(100,000)	-
Loan proceeds	-	1,999,900
Proceeds from Paycheck Protection Program loan	-	143,117
Proceeds from margin loan	3,093,680	7,175
Repayment of margin loan	(2,199,112)	-
Payments on lease liability	(80,251)	-
Member withdrawals	(1,005,000)	(500,000)
<b>Net cash from financing activities</b>	<b>(290,683)</b>	<b>1,650,192</b>

(cont'd)

**Cleaners Depot Franchise, LLC**  
**Statement of Cash Flows (cont'd)**

	<b>For the Year Ended December 30, 2022</b>	<b>For the Year Ended December 31, 2021</b>
<b>Net change in cash</b>	<b>\$ (1,338,725)</b>	<b>\$ 2,042,775</b>
Cash, beginning of the year	<u>2,279,100</u>	<u>236,325</u>
Cash, end of the year	<u><b>\$ 940,375</b></u>	<u><b>\$ 2,279,100</b></u>
Balance sheet classification:		
Cash	<b>\$ 801,544</b>	<b>\$ 2,160,653</b>
Restricted cash	<u>138,831</u>	<u>118,447</u>
	<u><b>\$ 940,375</b></u>	<u><b>\$ 2,279,100</b></u>
Supplemental disclosure of noncash financing activities:		
Extinguishment of Paycheck Protection Program loan	<u><b>\$ -</b></u>	<u><b>\$ 143,117</b></u>

See accompanying notes.

## Cleaners Depot Franchise, LLC Notes to the Financial Statements

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### 1. Summary of Significant Accounting Policies

**Fiscal Year** – The Company’s fiscal year ends on the last Friday in December. Fiscal year 2022 contained fifty-two weeks and fiscal year 2021 contained fifty-three 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 30, 2022, the Company had 38 locations open in the United States, all of which are franchise locations.

**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. Certain significant estimates used in the preparation of these financial statements include the following:

The Company records investments at fair value. The ultimate realization of the investments is based upon future economic factors related to the investments.

**Cash** – Cash consists of bank deposits in federally insured accounts. On December 30, 2022, the deposits in excess of federally insured limits totaled \$649,868.

**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 30, 2022 and December 31, 2021. 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 \$11,861 at December 30, 2022 (\$70,954 at December 31, 2021).

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Investments** – The Company's investments are accounted for at fair value with unrealized gains and losses reported in the statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of a given measurement date. A framework has been established to provide for a fair value hierarchy that is broken down into three levels based on the reliability of observable and unobservable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Investments in common stock are valued using quoted market prices and are reported in Level 1 of the fair value hierarchy.

**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 January of 2021, the Company received \$142,311 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 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.

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

**1. Summary of Significant Accounting Policies (cont'd)**

**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.

The Company elected to account for pre-opening services provided to a franchisee as a single performance obligation, 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.

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>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable—contract revenue	<u>\$ 11,860</u>	<u>\$ 115,005</u>	<u>\$ 86,057</u>
Deferred revenue (for recognition the following year):			
Initial franchise fees	<u>\$ 2,000</u>	<u>\$ 2,000</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.

**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 2022 and 2021, 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 30, 2022, and December 31, 2021.

	<u>2022</u>	<u>2021</u>
Balance in fund at beginning of the year	\$ (69,960)	\$ (78,676)
Marketing fund fees	1,111,992	965,268
Marketing and advertising expenses	<u>994,956</u>	<u>956,552</u>
Balance (deficit) in fund at end of the year	<u>\$ 47,076</u>	<u>\$ (69,960)</u>

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 2019, 2020, and 2021, remain subject to examination.

**New Accounting Pronouncement** – The Company elected to adopt Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 842, *Leases*, using the optional transition method, which allows for the Company to initially apply the new lease standard at the adoption date and recognize a cumulative adjustment to the opening balance of retained earnings in the period of adoption, if applicable. As a result, the comparative period presented in the financial statements is in accordance with FASB ASC 840. In addition, the Company elected to adopt the package of practical expedients available under the transition guidance permitting the Company to not reassess historical lease classification included in leases in effect at the point of adoption, prior conclusions relating to initial direct costs, and whether any expired or existing contracts contain leases. Upon adoption of ASU 842, which was effective for the Company on January 1, 2022, the Company recorded an operating right-of-use asset and lease liability of approximately \$80,000 related to its office lease which ran through September 30, 2022. The Company leased office space on a month to month basis through the end of the year. Adoption did not have a material effect on the results of operations or cash flows.

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

**1. Summary of Significant Accounting Policies (cont'd)**

**Lease Accounting** – We evaluate our contracts at inception to determine if an arrangement contains a lease based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. As a lessee, we record a right-of-use (ROU) asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For leases with a term of less than 12 months (short-term lease), we will not record an ROU asset and lease liability and the payments will be recognized into net income over the lease term. ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. We include lease extensions in the lease term when it is reasonably certain that we will exercise the extension. The Company elected the private company practical expedient to use the risk-free rate based on the term of the lease as the discount rate for all leases. For lease agreements with lease and non-lease components, the Company elected the practical expedient to account for them as a single lease component. The ROU asset also includes initial direct costs and prepaid lease payments made less lease incentive, if any.

**Subsequent Events** – Subsequent events have been evaluated through April 21, 2023, which is the date the financial statements were available to be issued.

**2. Investments**

The Company uses a margin trading account to invest in common stock. Investment securities at December 30, 2022, and December 31, 2021 are as follows:

<b>December 30, 2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common stock	\$ 1,853,009	\$ -	\$ -	\$ 1,853,009
<b>December 31, 2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common stock	\$ 271,418	\$ -	\$ -	\$ 271,418

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

**2. Investments (cont'd)**

Realized and unrealized gains and losses on common stock for the year ended December 30, 2022, are summarized below:

	<b>2022</b>
Net realized gain (loss) for equity securities	<b>\$ (381,352)</b>
Net unrealized gain (loss) for equity securities	<b>(158,546)</b>
	<b>(539,898)</b>
Interest and dividends	<b>11,786</b>
Interest due on margin loan	<b>(24,864)</b>
	<b>\$ (552,976)</b>

**3. Property and Equipment**

Property and equipment at December 30, 2022, and December 31, 2021, consists of the following:

	<b>2022</b>	2021
Office furniture	<b>\$ -</b>	\$ 66,764
Computer equipment	<b>7,638</b>	45,896
Computer software	-	3,586
Leasehold improvements	-	17,506
	<b>7,638</b>	133,752
Total cost		
Less accumulated depreciation and amortization	<b>5,860</b>	118,494
	<b>\$ 1,778</b>	\$ 15,258

Depreciation and amortization expense totaled \$3,187 for the year ended December 30, 2022 (\$6,323 in 2021).

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

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**4. 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, and again through August 18, 2023. Interest is due and payable monthly at 3.25% beginning September 18, 2020. The Company had a balance outstanding on December 31, 2021, of \$100,000. The Company made no draws on the line of credit in 2022, and the balance at December 31, 2021, was repaid in 2022. The line of credit was being used to offset the deficit in the marketing fund.

**5. Margin Loan**

The Company borrows from the brokerage firm a portion of the purchase price of the common stocks, and the stocks act as collateral for the loan balance in the margin account. Should these stocks decline in value, the brokerage firm can take action, such as issue a margin call and/or sell securities in your account, in order to maintain the required equity percentage in the account.

Additional risks include, but are not limited to, losses on investments in excess of deposits in the margin account, mandatory sales of securities at the brokerage firm's discretion as to which securities are sold and the timing of these sales, and increases in the brokerage firm's house maintenance requirements without notice.

The balance in the margin loan account was \$901,714 at December 30, 2022 (\$7,175 at December 31, 2021). The Company transferred in \$1,240,000 to the brokerage firm account in 2022 (\$250,000 in 2021).

**6. Note 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 note payable are as follows:

Year Ended December 31,	Amount
2023	\$ 16,783
2024	43,215
2025	44,864
2026	46,575
2027	48,352
Thereafter	1,800,111
	\$ 1,999,900

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

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**7. 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 \$339,803 (\$291,812 in fiscal 2021), which are netted against royalty/license fees revenue in the statements of income. Rebates earned but not yet credited to the franchisees totaled \$177,988 at December 31, 2022 (\$172,659 at December 31, 2021).

**8. Operating Leases**

The Company had entered into a lease for office space dated October 20, 2006, and took occupancy on 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 it again to September 30, 2024, which the Company did not exercise. 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 was committed to make the following minimum annual rental payments:

2022	<u>\$ 80,298</u>
------	------------------

Rental expense for all operating leases was \$108,584 for the year ended December 31, 2021.

As discussed in Note 1, the Company elected to apply the provision of ASC 842 effective January 1, 2022. The Company entered into a lease agreement dated September 14, 2022, for new office space. The lease has a commencement date of January 20, 2023, and an expiration date of November 30, 2030. The monthly rent is abated for the first full ten months after the commencement date, after which monthly payments range from \$4,375 to \$5,105. Upon commencement of the lease, the Company will recognize a right-of-use asset and lease liability of approximately \$340,000.

**Cleaners Depot Franchise, LLC**  
**Notes to the Financial Statements (cont'd)**

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**9. Defined Contribution Plan**

The Company participates in the ADP Total Source Retirement Savings Plan. 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 \$16,994 in 2022 (\$9,599 in 2021).

**10. 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 30, 2022, and December 31, 2021, the Company recognized \$28,006 and \$58,940, 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 30, 2022 and December 31, 2021.

**11. Reclassification**

Certain amounts have been reclassified on the 2021 balance sheet to conform to the current year reporting format. There was no effect on total assets, liabilities, or members' equity. Certain amounts have been reclassified on the 2021 statement of cash flows to conform to the current year reporting format. There was no change to the net change in cash as a result of the reclassifications.

**UNAUDITED FINANCIAL STATEMENTS**

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04/19/24

Cash Basis

## Cleaners Depot Franchise, LLC

## Balance Sheet

As of March 29, 2024

	<u>Mar 29, 24</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1005 · Cash-Chase 2946465412	71,272.67
1010 · Cash-INBK	3,058.38
1011 · Cash-INBK-EIDL 0100104637	-11,393.35
1012 · Cash-INBK-Marketing 7000128355	110,905.59
1013 · Cash-TD Ameritrade	76,724.91
1020 · PETTY CASH	500.00
<b>Total Checking/Savings</b>	<u>251,068.20</u>
<b>Other Current Assets</b>	
1300 · PREPAID EXPENSES	8,861.59
1840 · INVESTMENT AFS	
1845 · MARGIN LOAN - TD AMERITRADE	-707,835.02
1840 · INVESTMENT AFS - Other	2,802,853.24
<b>Total 1840 · INVESTMENT AFS</b>	<u>2,095,018.22</u>
<b>Total Other Current Assets</b>	<u>2,103,879.81</u>
<b>Total Current Assets</b>	<u>2,354,948.01</u>
<b>Fixed Assets</b>	
1520 · OFFICE FURNITURE & EQUIPMENT	9,351.13
1570 · COMPUTER EQUIPMENT	11,355.84
1600 · LEASEHOLD IMPROVEMENTS	14,893.41
1630 · ACCUMULATED DEPRECIATION	-5,981.56
<b>Total Fixed Assets</b>	<u>29,618.82</u>
<b>Other Assets</b>	
1790 · RIGHT OF USE ASSET-EQUIPMENT	303,615.43
1820 · SECURITY DEPOSITS	6,727.08
<b>Total Other Assets</b>	<u>310,342.51</u>
<b>TOTAL ASSETS</b>	<u><u>2,694,909.34</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
2210 · ACCRUED ROYALTY REBATE	8,176.77
<b>Total Other Current Liabilities</b>	<u>8,176.77</u>
<b>Total Current Liabilities</b>	8,176.77
<b>Long Term Liabilities</b>	
2632002 · LOAN SBA TREASURY 002	499,900.00
2632003 · LOAN SBA TREASURY 003	1,500,000.00
2634 · ACCRUED INTEREST	50,953.22
2640 · OPERATING LEASE LIAB-CURRENT	40,943.66
2641 · OPERATING LEASE LIAB-NONCURRENT	305,232.45
<b>Total Long Term Liabilities</b>	<u>2,397,029.33</u>
<b>Total Liabilities</b>	<u>2,405,206.10</u>

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04/19/24

Cash Basis

Cleaners Depot Franchise, LLC

Balance Sheet

As of March 29, 2024

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	<u>Mar 29, 24</u>
Equity	
30000 · Opening Balance Equity	907,526.05
3000000 · BEGINNING EQUITY	353,966.66
3001 · PRIOR PERIOD ADJ-SBA	-83,835.34
3005 · PTR. DRAW CLEANERS DEPOT, LLC	-4,250,831.00
3007 · PTR. DRAW ATS	-44,014.00
3008 · PTR. DRAW MJC	-28,152.00
3010 · PTR. DRAW SIMBA, LLC	-42,453.00
3015 · CD LLC CAPITAL CONTRIB	597,843.73
3017 · ATS CAPITAL CONTRIB	30.00
3018 · MJC CAPITAL CONTRIB	30.00
3020 · SIMBA CAPITAL CONTRIB	4,100.00
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	919,207.35
32000 · Retained Earnings	1,695,961.50
Net Income	260,126.29
	<hr/>
Total Equity	289,703.24
	<hr/>
TOTAL LIABILITIES & EQUITY	<b>2,694,909.34</b>
	<hr/> <hr/>

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## Cleaners Depot Franchise, LLC

## Profit &amp; Loss

04/19/24

December 30, 2023 through March 29, 2024

Cash Basis

	<u>Dec 30, '23 - Mar 29, 24</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
4000003 · ROYALTY/ LIC FEE FRANCHISEES	547,781.08
4000004 · ROYALTY/ LIC FEE PUD-LD	17,603.03
4000005 · ROYALTY/ LIC FEE LOCKER	496.38
4000006 · ROYALTY/ LIC FEE MARGO	73.58
4000998 · PUD ROYALTY REBATE	0.00
4000999 · ROYALTY REBATE	-959.49
4010 · FRANCHISE FEES	4,000.00
4030 · OTHER INCOME	16,000.00
<b>Total Income</b>	<u>584,994.58</u>
<b>Gross Profit</b>	584,994.58
<b>Expense</b>	
<b>60000 · Fixed Cost</b>	
6205 · AWARDS/RECOGNITION	918.00
6215 · AUTO EXPENSES	2,767.15
6225 · BANK CHARGES	156.75
6230 · CAM	6,173.55
6235 · RENT	9,559.15
6240 · DUES & SUBSCRIPTIONS	1,062.00
6260 · INSURANCE-EMPLOYEE HEALTH	6,379.96
6270 · INSURANCE-PROPERTY/LIABILITY	359.67
6274 · LEGAL FEES	4,525.50
6275 · OTHER PROFESSIONAL FEES - GEN	4,520.13
6276 · PAYROLL PROCESSING FEE	3,334.09
6280 · R&D	7,100.00
6300 · MANAGEMENT & SUPPORT WAGES	142,743.70
6305 · 401K EMPLOYER CONTRIBUTION	4,961.90
6340 · TELEPHONE-VOICE AND DATA	1,623.42
6341 · TELEPHONE-WIRELESS	200.00
<b>Total 60000 · Fixed Cost</b>	<u>196,384.97</u>
<b>70000 · Controllable Cost</b>	
6480 · FRANCHISE PROSPECT MARKETING	10,424.65
6575 · LICENSES, PERMITS & FEES	658.75
6580 · OFFICE MEALS	627.28
6595 · COMPUTER HARDWARE/SOFTWARE	9,999.49
6597 · OFFICE SUPPLIES	748.29
6598 · POSTAGE	228.13
6599 · EXPRESS MAIL	371.43
6606 · UTILITIES-ELECTRIC	295.74
6655 · LEASED EQUIPMENT EXPENSE	1,250.19
6690 · TRAVEL EXPENSES	396.36
6700 · BUSINESS MEALS & ENTERTAINMENT	185.89
6701 · MEETINGS & CONVENTIONS	77.09
6705 · TRAINING MATERIALS & SUPPLIES	42.25
6720 · G&A REIMBURSEMENT	117,177.00
<b>Total 70000 · Controllable Cost</b>	<u>142,482.54</u>
<b>Total Expense</b>	<u>338,867.51</u>
<b>Net Ordinary Income</b>	246,127.07
<b>Other Income/Expense</b>	
<b>Other Expense</b>	
8050 · INTEREST EXPENSE	18,823.34
9010 · INCOME TAXES	1,900.00

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04/19/24

Cash Basis

**Cleaners Depot Franchise, LLC**  
**Profit & Loss**  
December 30, 2023 through March 29, 2024

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	<u>Dec 30, '23 - Mar 29, 24</u>
95000 · Store AD	
9015 · STORE AD FUND FEES COLLECTED	-248,990.57
9015001 · STORE AD FUND FEES - PUD-LD	-8,124.51
9015002 · STORE AD FUND FEES - PUD-CS	-5,416.35
9015003 · STORE AD FUND FEES - PUD-CA	-3,548.57
9015004 · STORE AD FUND FEES - LOCKER	-229.10
9015006 · STORE AD FUND FEES - MARGO	-33.96
9015007 · STORE AD FUND FEES - MARGO-CS	-22.64
9015008 · STORE AD FUND FEES - MARGO-CA	-39.62
9020 · STORE AD FUND EXPENSES	231,715.96
	<hr/>
<b>Total 95000 · Store AD</b>	-34,689.36
	<hr/>
<b>Total Other Expense</b>	-13,966.02
	<hr/>
<b>Net Other Income</b>	13,966.02
	<hr/>
<b>Net Income</b>	<b>260,093.09</b>
	<hr/> <hr/>

**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**  
**LIST OF FRANCHISEES**

**LIST OF FRANCHISEES**  
**As of December 31, 2023**

**Illinois**

Monica Mirelez  
960 E. Northwest Highway  
Arlington Heights, Illinois 60004  
T: (847) 797-8711  
F: (847) 797-8713

Monica Mirelez  
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708-584-1004

Priyanka and Deep Patel  
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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

Shailesh Patel  
10323 S. Pulaski Road  
Chicago, IL 60655  
773-779-9348

Pinakin Patel  
567 W. 14<sup>th</sup> Street  
Chicago Heights, IL 60411  
(708) 283-2675

Pinakin Patel  
4015 W. 167<sup>th</sup> Street  
Country Club Hills, IL 60478  
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Kathryn Tecza  
5765 Northwest Highway  
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815-356-1415

Ami Patel/Sejalben Patel  
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Ms. Kathryn Tecza  
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Deerfield, Illinois 60015  
847-964-9767

Vic and Arpita Dewanjee  
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Downers Grove, Illinois 60515  
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F: (630) 322-7945

Tom and Bedsy Markuszewski  
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Glen Ellyn, Illinois 60137  
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Waseem Akhtar  
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Hanover Park, Illinois 60133  
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F: (630) 289-7468

Pinakin Patel  
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Doug Hathaway  
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Lisle, Illinois 60532  
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Judy Kanchanasiripat  
Doug Hathaway  
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Asad Ahmad  
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Morton Grove, IL 60053  
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Piyush Patel  
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Ben and Biaka Jensen  
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Naperville, IL 60540  
(630) 596-0299

Davendra and Parth Patel  
7852 W. 159th Street  
Orland Park, Illinois 60462  
T: (708) 444-1658  
F: (708) 444-1586

Shailesh Patel  
38 E Golf Rd, Suite A  
Schaumburg, Illinois 60193  
630-237-4563

Fermin Carrasco  
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Palatine, IL 60067  
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Richard and Marsha Hall  
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Shailesh Patel  
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South Holland, IL 60473  
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Countryside, IL  
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Vik and Arpita Dewanjee  
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Lake Zurich, IL 60047

### **Minnesota**

Ben and Biaka Jensen  
415 17<sup>th</sup> Ave North  
Hopkins, MN 55343

### **Indiana**

Monica Mirelez  
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Munster, IN 46321  
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### **Missouri**

Mr. Pinakin Patel  
2590 S. Brentwood Blvd  
Brentwood, MO 63144  
(314) 778-9559

## **EXHIBIT H**

### **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.

**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 Development Rights 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 Development Rights 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 Development Rights 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 Developer 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 Development Rights Agreement to the extent the law allows.

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.

**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 MINNESOTA**

**This Rider** to the Development Rights 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 Development Rights 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]

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
DEVELOPMENT RIGHTS AGREEMENT**

**RIDER TO THE CLEANERS DEPOT FRANCHISE, LLC  
DEVELOPMENT RIGHTS AGREEMENT  
FOR USE IN MINNESOTA**

**This Rider** to the Development Rights 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 \_\_\_\_\_ (“**Developer**”).

1. **Background.** Franchisor and Developer are parties to that certain Development Rights Agreement effective as of \_\_\_\_\_, 20\_\_ (the "**Development Rights Agreement**") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Rights Agreement. This Rider is being signed because (a) the Store(s) that Developer will develop under the Development Rights Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Development Rights Agreement occurred in Minnesota.

2. **Termination.** The following is added to the end of Section 11 of the Development Rights 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 Developer be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

5. **Governing Law.** The following is added to the end of Section 23.1 of the Franchise Agreement, incorporated by reference in Section 13 of the Development Rights Agreement:

However, nothing in this Agreement shall abrogate or reduce any of Developer’s rights under Minnesota Statutes Chapter 80C or Developer’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, incorporated by reference in Section 13 of the Development Rights 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 Developer’s rights under Minnesota Statutes Chapter 80C or Developer’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, incorporated by reference in Section 13 Development Rights Agreement, is deleted.

8. **Limitations of Claims.** The following is added to the end of Section 23.6 of the Franchise Agreement, incorporated by reference in Section 13 of the Development Rights 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.

**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

**DEVELOPER:**

**(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.

**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:

<b>State</b>	<b>Effective Date</b>
Illinois	May 22, 2024
Indiana	May 22, 2024
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 One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181. Its telephone number is 1-888-253-2613.

Issuance Date: May 22, 2024

The name, principal business address, and telephone number of the franchise seller offering the franchise is Tom Ryan, One Mid America Plaza, Suite 125, Oakbrook Terrace, Illinois 60181 (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 May 22, 2024, that included the following Exhibits:

- |     |  |   |  |
|-----|--|---|--|
| A   | List of State Administrators/Agents for Service of Process | D | Sublease   |
| B-1 | Franchise Agreement  | E | Financial Statements                             |
| B-2 | Satellite Store Addendum                                   | F | Manual Table of Contents                         |
| B-3 | PUD Addendum   | G | List of Franchisees                              |
| B-4 | Renewal Addendum   | H | State-Specific Additional Disclosures and Riders |
| C   | Development Rights Agreement                               |   |  |

\_\_\_\_\_  
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.

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| C   | Development Rights Agreement                               |   |  |

\_\_\_\_\_  
Date  
(Date, Sign and Keep for Your Own Records)

\_\_\_\_\_  
Prospective Franchisee Signature

\_\_\_\_\_  
Print Name