

FRANCHISE DISCLOSURE DOCUMENT



ZIPS FRANCHISING, LLC

A Maryland Limited Liability Company

8510 Corridor Road, Suite 200

Savage, Maryland 20763

(301) 313-0389

franchise@321zips.com

www.321zips.com

If you are awarded a ZIPS Cleaners franchise, you will operate a garment care business under the name "ZIPS®" ("ZIPS Cleaners Business").

The total investment necessary to begin operation of a franchised ZIPS Cleaners Business ranges from \$739,700 to \$1,175,000 for a ZIPS Cleaners Business which has its own on-site processing plant facility. The total investment necessary to begin operation of a franchised ZIPS Cleaners Business ranges from \$163,250 to \$338,000 for a Cleaners Business which has only drop-off facilities. The Cleaners Business with drop-off facilities is only available to franchisees that own an outlet with a processing plant. This range includes \$37,500 that must be paid to the franchisor or its affiliate(s). If you sign a Development Agreement, you must (a) develop two (2) or more ZIPS Cleaners Businesses, the first of which, in certain circumstances, must be a Franchised Business with its own cleaning facility, and (b) pay to franchisor or its affiliates a development fee equal to \$10,000 per Franchised Business, which will be credited against the initial franchise fee(s) due under each Franchise Agreement. The total investment necessary for a Development Agreement ranges from \$23,000 to \$25,000. This amount is in addition to the initial investment for the first outlet.

This disclosure document summarizes certain provisions of the Development Agreement and Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying Agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding Agreement with, or make any payments to, us or our affiliates in connection with the proposed franchise sale, or sooner if required by applicable state law. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the ZIPS Franchising, LLC Sales Department at 8510 Corridor Road, Suite 200, Savage, Maryland 20763 or (301) 313-0389.

The terms of the Development Agreement (if applicable) and Franchise Agreement ("Agreements") will govern your franchise relationship. Don't rely on the disclosure document alone to understand the Agreements. Read all of the Agreements carefully. Show the Agreements and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC by calling 1-877-FTC-HELP or writing the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20850. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 1, 2024

Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Maryland, where the franchisor's principal place of business is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Maryland 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.
3. **Supplier control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Unopened Franchises.** The franchisor has signed a number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.
- ~~5-6.~~ **Financial Condition.** The franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the franchisor's financial ability to provide services and support to you.

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.

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

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

ZIPS is a Maryland limited liability company formed on August 30, 2004 and is a wholly-owned subsidiary of Value Drycleaners of America, LLC (“VDA”). Our principal place of business is 8510 Corridor Road, Suite 200, Savage, Maryland 20763. We do business under the name “ZIPS Cleaners[®]” and “ZIPS[®].” Our agents for service of process in various states are listed in Exhibit B.

We currently do not operate any ZIPS Cleaners Businesses. We began offering franchises for ZIPS Cleaners Business in 2006 and, as of December 31, 2023, there were 69 franchised ZIPS Cleaners Businesses. Three ZIPS Cleaners Businesses are owned by our affiliates and are located in Ellicott City, Maryland; Scaggsville, Maryland; and Alexandria, Virginia. We have not offered franchises in any other line of business, and we do not engage in any business not described in this Item 1.

Parent, Predecessors and Affiliates.

VDA, our direct parent, is a Maryland limited liability company. VDA’s principal place of business is the same as ours. VDA’s parent is JPBVDA, Inc. JPBVDA, Inc. is a Delaware corporation with its principal place of business at 7556 Teague Road #310, Hanover, Maryland 21076.

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

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

Our affiliate, ZIPS University 6010, LLC, (“ZIPS160”) is a wholly-owned subsidiary of VDA. ZIPS160 owns and operates the ZIPS Cleaners Business located at 6010 University Blvd., Ellicott City, Maryland.

Our affiliate, ZIPS 107, LLC (“ZIPS107”) is a wholly-owned subsidiary of VDA. ZIPS107 owns and operates the ZIPS Cleaners Business located at 11200 Scaggsville Road, Scaggsville, MD 20723.

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

Our affiliate, Gemini Cleaners, LLC (“Gemini Cleaners”) is a wholly-owned subsidiary of VDA, with the same principal address as VDA. Gemini Cleaners has offered franchises in a similar line of business as us, namely, in garment care and cleaning, since 2023.

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

ZIPS Cleaners Businesses.

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

ZIPS offers two types of dry cleaners businesses. One is a facility which services customers with an on-premises physical plant where the dry cleaning and laundry are processed (a “Plant Facility”). The other is a facility where the customer can drop off and pick up its dry cleaning and laundry, but the dry cleaning and laundry is processed in a separate Plant Facility (“Drop Facility”). Generally, a ZIPS Cleaners Business occupies 3,000 to 3,500 square feet of space for a Plant Facility or 1,300 to 1,500 square feet of space for a Drop Facility. Your initial outlet must be a Plant Facility. You must open the Franchised Business within 12 months after you sign the Franchise Agreement or we will terminate the Franchise Agreement.

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

You can buy a franchise to develop and operate one ZIPS Cleaners Business (“Franchised Business”). If you buy a franchise for one Franchised Business, it must be for a Plant Facility. If you and the area in which you are interested meet certain qualifications, you can buy the rights to develop multiple ZIPS Cleaners Businesses under a Development Agreement (“Development Agreement”) (Exhibit C) in accordance with an agreed upon Development Schedule. If you buy the rights to develop multiple Franchised Businesses, the first Franchised Business developed must be a Plant Facility. At the time you sign your Development Agreement, you must also sign a Franchise Agreement for the first Franchised Business to be developed. Before you begin the site selection process for a Franchised Business, you and ZIPS will enter into a Franchise Agreement (Exhibit D). You should not acquire any interest in a site for the Franchised Business until you have been approved as a franchisee and we have accepted the site in writing. During the franchise application process, we may require you to sign a

- (12) **Software.** As described in more detail in Item 5, ZIPSsoft will license to you the ZIPSsoft Software and you must pay the ZIPSsoft Software Initial License Fee. The Fee is payable with the Initial Franchise Fee.
- (13) **Office Equipment and Supplies.** You must purchase general office supplies and purchase or lease office equipment including a safe, lockers and other items. Sales tax at the rate of 5% is included. Factors that may affect the cost of office equipment and supplies include local market conditions, the size of the premises, suppliers and other factors.
- (14) **Dry Cleaning/Laundry Production Equipment and Installation.** You must purchase or lease dry cleaning/laundry production equipment for your on-premises physical plant. The range of costs represents the estimated purchase price and cost of installation of the equipment including the machines, conveyors, rail systems, and estimated freight.
- (15) **Initial Production Supplies.** You will need to purchase an initial inventory of dry cleaning and laundry supplies.
- (16) **Training.** You must pay any travel expenses, living expenses, wages, and other expenses incurred by you and your employees while attending our training programs. Our training programs are described in Item 11. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose.
- (17) **Licenses, Permits and Professional Fees.** You should check with the relevant regulatory agencies to identify costs for required building permits, impact fees, taxes, bonds, licenses and other fees, which can vary significantly depending on the location. These figures also represent the estimated costs of engaging an attorney or other business professionals to review this disclosure document and the accompanying agreements, assist you in organizing a business entity and help you obtain required licenses and permits. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants.
- (18) **Delivery Van.** These figures are an estimate of the funds required for the first 3 months to lease a van or to purchase a van.
- (19) **Additional Operating Funds – Initial Period.** These figures are an estimate of the additional funds that you may require for certain expenses during the initial period, which we consider to be 6 months after opening. This estimate does not include payments for, among other things, taxes, loan payments (including interest), depreciation, Local Store Marketing obligations, National Marketing Fund contributions, Regional Marketing Fund contributions, ongoing software fees and royalty fees. This calculation does include the following expenses: payroll but not for the owner, insurance premiums, rent, cost of supplies, and payments to utility companies. These figures are estimates, and ZIPS cannot guarantee that you will not have additional expenses starting the business.
- (20) **Total.** This is an estimate of your initial investment and is based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and is based on our and our affiliates' experience. ~~The amounts shown are estimates only and may vary for many reasons including the size of your Franchised Business, the capabilities of your management team, where you locate your Franchised Business and your business experience and acumen. You should review these estimates carefully with~~

~~an accountant or other business advisor before making any decision to buy a franchise. We do not finance any portion of the initial investment.~~

- (21) The ZIPS Cleaners Business with drop-off facilities is only available to franchisees that own an outlet with a processing plant.

Development Agreement

ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Be Made
Development Fee ⁽¹⁾	\$20,000	Lump Sum	On signing Development Agreement	Us
Working Capital Needs ⁽²⁾	\$3,000 – 5,000	As arranged	As incurred	Third Parties
Total	\$23,000 - \$25,000			

⁽¹⁾Upon signing the Development Agreement, you must pay to us the non-refundable development fee of \$10,000 per Franchised Business to be developed as described in Item 5 of this disclosure document.

⁽²⁾You will also need funds for working capital to pursue your obligations under the Development Agreement, but there are no other initial investments required at that time. The figures here are assuming that you are developing 2 Franchised Businesses. We are unable to estimate the extent of your working capital needs if you develop more than 2 Franchised Businesses. An initial investment will be required for each Franchised Businesses opened by you. Our estimate of each such investment is disclosed above in this Item.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approved Suppliers / Approved Materials. We have the right to require that you purchase all advertising materials, furniture, fixtures, equipment, signage, decorations, branded items, forms, inventory, packaging, supplies (such as garment bags), uniforms, and other items and services offered for sale at, or used in the operation of, a ZIPS Cleaners Business (“materials”) from manufacturers, distributors, vendors and suppliers (collectively “suppliers”) approved by ZIPS. ZIPS, its parent, and its affiliates may be an approved supplier for any materials. We will provide, in the Manuals or by other written or electronic form, a list of materials you will need to purchase and offer for sale to customers or to operate your Franchised Business. ZIPS may require that you use only certain brands and prohibit you from using other brands. ZIPS may from time to time modify the list of approved brands and/or suppliers, and you may not, after receipt of such modification in writing, reorder any brand from any supplier that is no longer approved. Our

including, without limitation, investment and financing plans for the proposed Franchised Business, as we reasonably may require. For Franchised Businesses to be developed pursuant to a Development Agreement, we will provide you with our then-current criteria for site selection and will accept or decline the site you have selected for the location of the Franchised Business.

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

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

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

Time Between Agreement Signing and Opening

We estimate that the time from our acceptance of a site to opening of the Franchised Business is approximately 8 to 15 months. Factors affecting the length of time needed to open the Franchised Business usually include your ability to obtain a lease and adequate financing, weather, local requirements and procedures for necessary permits and zoning, shortages or delayed installation of equipment, signs and fixtures and special circumstances affecting construction in a particular area, none of which are within our control. You must open the Franchised Business within 12 months after you sign the Franchise Agreement or we will terminate the Franchise Agreement.

Training

Initial Training Program

At least 15 days but no earlier than 90 days before the expected opening date of the Franchised Business, you (or, if you are a business entity, your Operating Principal) must successfully complete, to our satisfaction, and be certified by us in our initial training program. To satisfactorily complete the training program, you must pass on online examination and answer questions and provide practical demonstrations, both during training and upon completion of the training program, of the skills needed for the management of a Franchised Business. After you or your Operating Principal have successfully completed and been certified in our initial training program, you (or the Operating Principal) are fully responsible for the training of all of your employees in accordance with our System Standards and you must certify to us that such persons have successfully completed all required training.

have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

N. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

[SIGNATURE PAGE FOLLOWS]

**ADDENDA REQUIRED BY
THE STATE OF ILLINOIS**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF ILLINOIS**

1. A Surety Bond has been obtained by the franchisor to assure its financial capability; the Bond is on file with the Office of the Illinois Attorney General. The financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the franchisor's financial condition.

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representation whatsoever to the franchisor or its affiliates.

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee 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 behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

1. **Risk Factors, Cover Page.** The following statement is added at the end of the first risk factor on the State Cover Page:

~~SECTION 4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT PROVIDES THAT ANY PROVISION IN A FRANCHISE AGREEMENT THAT DESIGNATES JURISDICTION OR VENUE IN A FORUM OUTSIDE OF ILLINOIS IS VOID WITH RESPECT TO ANY CAUSE OF ACTION WHICH OTHERWISE IS ENFORCEABLE IN ILLINOIS.~~

2. **ITEM 5.** ITEM 5 of the Disclosure Document is amended as follows: the language under the heading "Franchise Fee," shall be amended to add the following:

Initial Franchise Fee

When you sign the Franchise Agreement you must pay us an initial franchise fee of \$30,000. Because of our financial condition, the Illinois Attorney General has imposed the following financial assurance requirement. For Franchised Businesses to be located in the State of Illinois, or for Franchisees who are Illinois residents (if the Franchisee is an individual residing in Illinois or if the Franchisee is an entity with its principal place of business in Illinois), we have posted a Surety Bond in the form attached hereto as assurance that we will perform all of our pre-opening obligations.

3. Item 17, Additional Disclosures. The following statement is added to Item 17:

~~Any provision in the Development Agreement or the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action that is otherwise enforceable in Illinois. In addition, Illinois law will govern the Development Agreement and the Franchise Agreement.~~

~~The conditions under which the Development Agreement or Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.~~

~~Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void.~~

~~No statement, questionnaire or acknowledgement signed or agreed to by a franchisee 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

~~Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures.~~

**ADDENDUM TO THE ZIPS FRANCHISING, LLC DEVELOPMENT AGREEMENT
REQUIRED FOR ILLINOIS DEVELOPERS**

This Addendum to ZIPS Franchising, LLC Development Agreement dated _____ (“Development Agreement”) between ZIPS Franchising, LLC (“ZIPS”) and _____ (“Developer”) is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of Illinois; **(B)** Developer is a resident of the State of Illinois; and/or **(C)** part or all of the Development Territory is located in the State of Illinois.

2. A Surety Bond has been obtained by ZIPS to assure its financial capability; the Bond is on file with the Office of the Illinois Attorney General. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Illinois law governs the Development Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee 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 behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~2. Section 4 of the Agreement, under the heading “Development Fee,” the following shall be added at the end of the first paragraph:~~

~~For Development Agreements to be located in the State of Illinois, or for Developers who are Illinois residents (if the Developer is an individual residing in Illinois or if the Developer is an entity with its principal place of business in Illinois), ZIPS has posted a Surety Bond as assurance that it will perform all of its pre-opening obligations.~~

~~3. The following sentence is added to the end of Section 19B:~~

~~Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois.~~

- ~~4. The following sentence is added at the end of Section 19C:~~

~~Notwithstanding the foregoing, Illinois law shall govern this Agreement.~~

- ~~5. The following sentence is added at the end of Section 19D:~~

~~Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the franchisee of a written notice disclosing the violation.~~

- ~~6. The following sentence is added to the end of Sections 19G and 22:~~

~~Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void.~~

- 73.** Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

84. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**ZIPS:
ZIPS FRANCHISING, LLC**

DEVELOPER:

By: _____

Print Name: _____

Title: _____

Date: _____

Date: _____

**ADDENDUM TO THE ZIPS FRANCHISING, LLC FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to ZIPS Franchising, LLC Franchise Agreement dated _____ (“Franchise Agreement”) between ZIPS Franchising, LLC (“ZIPS”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of the franchise to Franchisee was made in the State of Illinois; **(B)** Franchisee is a resident of the State of Illinois; and/or **(C)** the Franchised Business will be located and/or operated, and/or all or part of the Protected Area will be located, in the State of Illinois.

2. A Surety Bond has been obtained by ZIPS to assure its financial capability; the Bond is on file with the Office of the Illinois Attorney General. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee 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 behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~2. Section 7A of the Agreement, under the heading “Initial Franchise Fee,” the following shall be added at the end of the Section:~~

~~For Franchised Businesses to be located in the State of Illinois, or for franchisees who are Illinois residents (if the Franchisee is an individual residing in Illinois or if the Franchisee is an entity with its principal place of business in Illinois), ZIPS has posted a Surety Bond as assurance that it will perform all of its pre-opening obligations.~~

~~3. The following sentence is added to the end of Section 32B:~~

~~Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois.~~

~~4. The following sentence is added at the end of Section 32C:~~

~~Notwithstanding the foregoing, Illinois law shall govern this Agreement.~~

~~5. The following sentence is added at the end of Section 32D:~~

~~Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the franchisee of a written notice disclosing the violation.~~

~~6. The following sentence is added to the end of Sections 32G and 35:~~

~~Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void.~~

~~73.~~ Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

84. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ZIPS:
ZIPS FRANCHISING, LLC

FRANCHISEE:

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

Date: _____

**ADDENDA REQUIRED BY
THE STATE OF MARYLAND**

**ADDITIONAL DISCLOSURES
REQUIRED BY THE STATE OF MARYLAND**

1. Risk Factor: As a condition of our consent to allow you to transfer your franchise to a third party, we may require you to guarantee the performance of that third party for 2 years following the transfer.

2. Item 5, the following language is added under the headings “Development Fee” and “Franchise Fee”:

Based upon the financial information we submitted to the Maryland Securities Commissioner, the Commissioner has determined that all fees shall be deferred until your Franchised Business has opened for business. For Franchised Business to be located in the State of Maryland, or for Franchisees who are Maryland residents (if the Franchisee is an individual residing in Maryland or if the Franchisee is an entity with its principal place of business in Maryland), the payment of the franchise fee of \$30,000 and any other initial payment will be deferred until you have established and commenced operation of a Franchised Business. You must pay us the entire initial franchise fee and all other fees due us the day that the Franchised Business opens for business. Failure to pay this amount will be a default under the Franchise Agreement and will be grounds for termination upon written notice to you.

3. Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring you to sign a general release of claims against ZIPS, including upon signing the franchise and/or development agreement and renewal or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.

No statement, questionnaire, or acknowledgement signed or agreed to by Franchisee 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

**ADDENDUM TO ZIPS FRANCHISING, LLC
DEVELOPMENT AGREEMENT
REQUIRED FOR MARYLAND DEVELOPERS**

This Addendum to ZIPS Franchising, LLC Development Agreement dated _____ (“Development Agreement”) between ZIPS Franchising, LLC (“ZIPS”) and _____ (“Developer”) is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Maryland; **(B)** you are a resident of the State of Maryland; and/or **(C)** part or all of the Development Territory is located in the State of Maryland.

2. Based upon the financial information that was submitted to the Maryland Securities Commissioner, the Commissioner has determined that all fees shall be deferred until the Franchised Business has opened for business. Section 4 of the Agreement, under the heading “Development Fee,” shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in its place:

Developer shall pay ZIPS a development fee equal to \$10,000 for each Franchised Business that Developer has agreed to develop in the Development Territory during the Development Term (“Development Fee”). The total amount of the Development Fee is set forth in Appendix B. For a Development Territory to be located in the State of Maryland, or for Developers who are Maryland residents (if the Developer is an individual residing in Maryland or if the Developer is an entity with its principal place of business in Maryland), the payment of the Development Fee and any other initial payment will be deferred until the Developer has established and commenced operation of the Franchised Business. The Development Fee shall be paid in full on the day that the Franchised Business opens for business. Developer acknowledges and agrees that the Development Fee is fully earned by ZIPS when paid and it is not refundable.

3. The following sentence is added to the end of Sections 3B(2) and 8B(5):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

34. The following sentence is added to the end of Section 19B:

Notwithstanding the foregoing, Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

45. The following sentence is added to the end of Section 19D:

This limitation of claims provision shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law, which claim must be brought within 3 years after the grant of the franchise.

56. The following sentence is added to the end of Section 22:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. The Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

67. Any capitalized term that is not defined in this Addendum shall have the meaning given to it in the Development Agreement.

78. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**ZIPS:
ZIPS FRANCHISING, LLC**

DEVELOPER:

By: _____

Print Name: _____

Title: _____

Date: _____

Date: _____

**ADDENDUM TO ZIPS FRANCHISING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to ZIPS Franchising, LLC Franchise Agreement dated _____ (“Franchise Agreement”) between ZIPS Franchising, LLC (“ZIPS”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Maryland; **(B)** you are a resident of the State of Maryland; or **(C)** the Franchised Business will be located or operated in the State of Maryland.

2. Based upon the financial information that was submitted to the Maryland Securities Commissioner, the Commissioner has determined that all fees shall be deferred until the Franchised Business has opened for business. Section 7A of the Agreement, under the heading “Franchise Fee,” shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in its place:

A. Franchise Fee. Franchisee shall pay ZIPS an Initial Franchise Fee in the amount set forth in Appendix A. For a Franchised Business to be located in the State of Maryland, or for Franchisees who are Maryland residents (if the Franchisee is an individual residing in Maryland or if the Franchisee is an entity with its principal place of business in Maryland), the payment of the Franchise Fee and any other initial payment will be deferred until the Franchisee has established and commenced operation of the Franchised Business. The Franchise Fee shall be paid in full on the day that the Franchised Business opens for business. Franchisee acknowledges and agrees that the Initial Franchise Fee is paid in consideration of ZIPS initially granting this Franchise, it is fully earned at the time paid, and it is not refundable.

3. The following sentence is added to the end of Sections 2B(3)(g) and 20B(5):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

34. The following sentence is added to the end of Section 32B:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

45. The following sentence is added to the end of Section 32D:

This limitation of claims provision shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law, which claim must be brought within 3 years after the grant of the franchise.

56. The following sentence is added to the end of Section 35:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

67. No statement, questionnaire, or acknowledgement signed or agreed to by Franchisee 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

78. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

89. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**ZIPS:
ZIPS FRANCHISING, LLC**

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Date: _____

Date: _____

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MINNESOTA**

1. **State Cover Page and Item 17, Choice of Forum and Law.** The following statement is added to the State Cover Page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document, the Development Agreement or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. **Item 5, Additional Disclosures.** The following is added to Item 5:

The Minnesota Department of Commerce has imposed a fee deferral requirement because of our financial condition. Accordingly, we defer the payment of (1) the Development Fee until we have completed all of our pre-opening obligations and the first ZIPS Dry Cleaners Business required to be developed under the Development Agreement opens for business; and (2) the Initial Franchise Fee for each ZIPS Dry Cleaners Business until we have completed all of our pre-opening obligations and the relevant ZIPS Dry Cleaners Business opens for business. Upon the opening of the first ZIPS Dry Cleaners Business that you develop under the Development Agreement, you must pay to us the Development Fee. Upon the opening of each ZIPS Dry Cleaners Business, you must pay to us the Initial Franchise Fee for that ZIPS Dry Cleaners Business.

23. **Trademarks.** The following statement is added to Item 13:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided, that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of the Franchise Agreement and the System.

34. **Item 17, Termination.** The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which requires, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement or Development Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

45. **Item 17, General Release.** The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

56. **Item 17, Waiver of Right to Jury Trial, Statute of Limitations, Injunctive Relief:** The following statements are added to Item 17:

Minnesota Rule 2860.4400J, among other things, prohibits us from requiring you to waive your rights to a jury trial. In addition, the agreements cannot modify your rights under Minnesota Statutes, Chapter 80.C.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

67. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the relevant Minnesota statute are met independently without reference to the Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

**ADDENDUM TO ZIPS FRANCHISING, LLC
DEVELOPMENT AGREEMENT
REQUIRED FOR MINNESOTA DEVELOPERS**

This Addendum to ZIPS Franchising, LLC Development Agreement dated _____ (“Development Agreement”) between ZIPS Franchising, LLC (“ZIPS”) and _____ (“Developer”) is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Minnesota; **(B)** you are a resident of the State of Minnesota; and/or **(C)** part or all of the Development Territory is located in the State of Minnesota.

2. The following is added to the end of Section 4:

The Minnesota Department of Commerce has imposed a fee deferral requirement because of our financial condition. Accordingly, notwithstanding the foregoing, in the State of Minnesota, we will defer the payment of the Development Fee until we have completed all of our pre-opening obligations and the first Franchised Business required to be developed under this Agreement opens for business. Upon the opening of the first Franchised Business that you develop under this Agreement, you shall pay to us the Development Fee. Your failure to pay the Development Fee when due shall be a breach of this Agreement.

23. The following sentence is added to the end of Sections 3B(2) and 9B(5):

Notwithstanding the foregoing, Developer will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

34. Section 10B(1)(i) is deleted and replaced with:

(i) Developer’s use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which ZIPS would be entitled to all legal and equitable remedies, including injunctive relief. The franchisor may seek injunctive relief.

45. The following sentence is added to the end of Section 11:

With respect to franchises governed by Minnesota law, ZIPS will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which require, except in certain cases, that Developer be given 90 days notice of termination (with 60 days to cure) of the Development Agreement.

56. The following sentence is added to the end of Section 19B:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit ZIPS from requiring litigation to be conducted outside Minnesota.

67. The following statements are added at the end of Section 19D:

Nothing in the disclosure document or Development Agreement can abrogate or reduce any of Developer’s rights as provided for in Minnesota Statutes, Section 80C.17, Subd. 5.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

~~78.~~ The third sentence of Section 19G and Section 22K are deleted.

~~89.~~ The second sentence of Section 21E is deleted and replaced with the following:

Developer agrees that, in the event of a breach or threatened breach of any of the terms of this Agreement by Developer, ZIPS will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance.

~~910.~~ The following is added as Section 19H:

Nothing in the Development Agreement can abrogate or reduce any of Developer's rights as provided for in Minnesota Statutes, Chapter 80C, or Developer's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

~~1011.~~ Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Development Agreement.

~~112.~~ Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

ATTEST:

**ZIPS:
ZIPS FRANCHISING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

DEVELOPER:

Date: _____

**ADDENDUM TO ZIPS FRANCHISING, LLC
FRANCHISE AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to ZIPS Franchising, LLC Franchise Agreement dated _____ (“Franchise Agreement”) between ZIPS Franchising, LLC (“ZIPS”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Minnesota; **(B)** you are a resident of the State of Minnesota; or **(C)** the Franchised Business will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Sections 2B(3)(g) and 20B(5):

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

3. The following sentence is added to the end of Section 2B:

With respect to franchises governed by Minnesota law, ZIPS will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given 180 days’ notice for non-renewal of the Franchise Agreement.

4. The following is added to the end of Section 7.A.:

The Minnesota Department of Commerce has imposed a fee deferral requirement because of our financial condition. Accordingly, notwithstanding the foregoing, in the State of Minnesota, we will defer the payment of the Initial Franchise Fee until we have completed all of our pre-opening obligations and the Franchised Business opens for business. Upon the opening of the Franchised Business, you must pay to us the Initial Franchise Fee. Your failure to pay the Initial Franchise Fee when due shall be a breach of this Agreement.

45. Section 22B(1)(i) is deleted and replaced with:

(i) Franchisee’s use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which ZIPS would be entitled to all legal and equitable remedies, including injunctive relief. The franchisor may seek injunctive relief.

56. The following sentence is added to the end of Section 23:

With respect to franchises governed by Minnesota law, ZIPS will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement.

67. The following sentence is added at the end of Section 32B:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit ZIPS from requiring litigation to be conducted outside Minnesota.

78. The following statements are added at the end of Section 32D:

Nothing in the disclosure document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C.17, Subd. 5.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

~~89~~. The third sentence of Section 32G and Section 35O are deleted.

~~910~~. The second sentence in Section 34E is deleted and replaced with the following:

Franchisee agrees that, in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisee, ZIPS will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance.

~~4011~~. The following is added as Section 34J:

Nothing in the Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

~~4112~~. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

~~4213~~. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

ATTEST:

**ZIPS:
ZIPS FRANCHISING, LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE:

Date: _____

**ADDENDA REQUIRED BY
THE STATE OF NEW YORK**

**ADDITIONAL DISCLOSURES
REQUIRED BY THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. State Cover Page, Additional Risk Factor:

~~We may, if it chooses, negotiate with you about items covered in the Franchise Disclosure Document. However, we may not use the negotiating process to prevail upon a prospective franchisee to accept terms which are less favorable than those set forth in this prospectus.~~

2. Item 3, Additional Disclosure. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.~~Item 3 is deleted and replaced with the following:~~

~~Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.~~

~~Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.~~

~~Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.~~

~~Accordingly, no litigation is required to be disclosed in this disclosure document.~~

3. Item 4, Bankruptcy. ~~The last sentence in Item 4 is deleted and replaced with the following sentence:~~

~~Other than this action, neither we nor any of its affiliates, predecessors, officers or general partners, during the 10-year period immediately before the date of this disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S.~~

Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of ours held this position in the company or partnership.

43. Item 17, Additional Disclosures. The following statements are added to Item 17:

~~We will not assign our rights under any franchise agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under that agreement.~~

~~The New York Franchises Law requires that New York law govern any cause of action that arises under the New York Franchises Law.~~

~~The New York General Business Law, Article 33, Sections 680 through 695, may supersede any provision of the franchise agreement inconsistent with that law.~~

~~You must sign a general release upon execution, renewal or transfer of the franchise agreement. These provisions may not be enforceable under New York law.~~

~~Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.~~

~~Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to these Additional Disclosures. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":~~

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by a franchisee": "You may terminate the agreement on any grounds available by law."

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**ADDENDA REQUIRED BY
THE COMMONWEALTH OF VIRGINIA**

**ADDITIONAL DISCLOSURES
REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for ZIPS Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Risk Factor: **Estimated Initial Investment**. The franchisee will be required to make an estimated initial investment ranging from ~~\$184,250~~163,250 to ~~\$1,290~~175,000. This amount exceeds the franchisor's stockholders' equity (deficit) as of December 31, ~~2020~~2023, which is ~~(\$5,345)~~\$489,888.

2. **Item 17.** The following statements are added to Item 17h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Development Agreement or Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.