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STATE COVER PAGE

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

Call the state administrators listed in Exhibit A for information about us or franchising in your state

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

Please consider the following RISK FACTORS before you buy this franchise

- 1 THE DEVELOPMENT AGREEMENT AND FRANCHISE AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN THE STATE WHERE OUR PRINCIPAL OFFICES ARE LOCATED, WHICH CURRENTLY IS MARYLAND. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE WITH US IN MARYLAND THAN IN YOUR OWN STATE.
- 2 THE DEVELOPMENT AGREEMENT AND FRANCHISE AGREEMENT PROVIDE THAT MARYLAND LAW GOVERNS EACH AGREEMENT. MARYLAND LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS.
- 3 THE FRANCHISEE'S SPOUSE AND, IF THE FRANCHISEE IS AN ENTITY, THE SPOUSES OF THE OFFICERS, DIRECTORS, PARTNERS, SHAREHOLDERS, AS THE CASE MAY BE, ARE REQUIRED TO SIGN A PERSONAL GUARANTEE OF THE FRANCHISE OBLIGATIONS. THE SPOUSES ARE JOINTLY AND SEVERALLY LIABLE FOR ALL DEBTS OF THE FRANCHISE, WHETHER OR NOT THAT SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNERS AND SPOUSES AT RISK. SPOUSES ARE ALSO PROHIBITED FROM OWNING, OPERATING OR PERFORMING SERVICES FOR A COMPETING BUSINESS DURING AND FOR A PERIOD OF 2 YEARS AFTER THE TERM OF THE FRANCHISE AGREEMENT.
- 3-4 THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS. FRANCHISOR CONTROLS.
- 45 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

This disclosure document is to be used in all states and the District of Columbia. Certain states require franchisors to make additional disclosures related to the information contained in this disclosure document. Those disclosures are contained in Exhibit ~~K~~J to this disclosure document.

The Effective Date: See the next page for state effective dates.

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

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

(7) Franchisee has hired and trained a staff in accordance with the requirements of this Agreement

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

(9) Franchisee has paid any amounts required by ZIPS

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

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

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

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

7 FEES

A Initial Franchise Fee Franchisee shall pay ZIPS an Initial Franchise Fee in the amount set forth in Appendix A which is payable as set forth in Appendix A ~~ZIPS will credit the portion of the Development Fee attributable to the Franchised Business towards the Initial Franchise Fee~~ Franchisee acknowledges and agrees that the Initial Franchise Fee was paid in consideration of ZIPS initially granting this Franchise, it was fully earned at the time paid, and it is not refundable

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

C Total Marketing Obligation Franchisee shall have a total marketing obligation ("Total Marketing Obligation") in an amount not to exceed 5% of Gross Sales, which will be divided among the Marketing Fund, any Regional Marketing Fund (or any Regional Co-op) and

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