

FRANCHISE DISCLOSURE DOCUMENT



ZIPS FRANCHISING, LLC

A Maryland Limited Liability Company
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Greenbelt, Maryland 20770
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www.321zips.com

If you are awarded a ZIPS Dry Cleaners franchise, you will operate a dry cleaning and laundry services business under the name "ZIPS®" ("ZIPS Dry Cleaners Business").

The total investment necessary to begin operation of a franchised ZIPS Dry Cleaners Business ranges from \$1,015,700 to \$1,450,000. This range includes a \$30,000 franchise fee and a \$7,500 software license fee that must be paid to the franchisor or its affiliate(s). If you are a developer, you will pay a development fee of \$10,000 for each ZIPS Dry Cleaners Business to be developed..

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the ZIPS Franchising, LLC Sales Department at 7474 Greenway Center Drive, Suite 1200, Greenbelt, Maryland 20770 or (301) 313-0389.

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

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

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

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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.
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.
5. 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 J to this disclosure document.

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

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