

## FRANCHISE DISCLOSURE DOCUMENT



**Lyons  
Restores**

**Evans Garment Restoration II, LLC**  
A Tennessee Limited Liability Company  
1750 Transport Avenue  
Memphis, TN 38116  
[www.lyonsrestores.com](http://www.lyonsrestores.com)  
[www.evansgr.com](http://www.evansgr.com)  
lyonsrestores.com  
[franchise@lyonsrestores.com](mailto:franchise@lyonsrestores.com)  
(866) 933-8267

We currently offer franchises for the right to convert an existing dry cleaning facility or facility that actively provides restoration with regards to garments, textiles and/or other personal property contents within a given trading area (the “Existing Facility”) into a franchised business providing restoration services (a “Franchised Business”) that is licensed to: (i) operate under our proprietary marks, including our current principal marks LYONS RESTORES™ and EVANS GARMENT RESTORATION® (collectively, the “Proprietary Marks”), and (ii) the system (the “System”) that we and our affiliates have developed in connection with such a conversion, including certain standards and specifications associated with the promotion, offering, sale and provision of the wide array of restoration services we designate as detailed more fully in this Disclosure Document (the “Approved Services”), all from the premises of the Existing Facility that we must approve (the “Principal Location”).

The total investment necessary to convert an Existing Facility to a Franchised Business that operates as a Principal Location ranges from \$85,535 to \$303,808. This amount includes \$43,035 to \$45,076 that must be paid to franchisor or an affiliate prior to opening.

Once you have established and commenced operations of your Principal Location, we may also offer you the right to operate one (1) or more “depot” locations that are: (i) located within a territory that is contiguous to the Principal Location; and (ii) opened and operated with the goal of providing a more limited set of the Approved Services, including (a) customer service/intake at and from the Depot Location (within the territory awarded in connection with such location, and (b) transportation services to/from the Principal Location where the restoration and other full services can be provided (each, a “Depot Location”). A franchised Depot Location may be a conversion of an existing building that provides certain of these services, or it may be built out and otherwise established from a third-party premises we approve.

The total estimated initial investment to subsequently open and commence operation of a franchised Depot Location ranges from \$123,900 to \$333,700 – depending, in part, on whether this Location will be a conversion of an existing building or a third-party premises that we approve. This amount includes \$43,035 to \$45,076 that must be paid to franchisor or an affiliate prior to opening.

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 fourteen (14) calendar days before you sign a binding agreement with, or make any payment to, 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 our corporate office at 1750 Transport Avenue, Memphis, Tennessee 38116.

The terms of your Franchise Agreement will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contracts. Read all of your contracts carefully. Show your contracts 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.

The Issue Date of this Franchise Disclosure Document (“FDD”) is: August 21, 2023.

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

<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 Exhibits G and F.
<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 D 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 Evans Garment Restoration II, LLC 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 franchise 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 an Evans Garment Restoration II, LLC franchisee?</b>	Item 20 or Exhibits G and F 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 that 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 Risk(s) 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, arbitration and/or litigation only in Tennessee. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate, or litigate with franchisor in Tennessee than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all your 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" to see whether your state requires other risks to be highlighted.

## **TABLE OF CONTENTS**

<b>ITEM 1 THE FRANCHISOR .....</b>	<b>2</b>
<b>ITEM 2 BUSINESS EXPERIENCE .....</b>	<b>5</b>
<b>ITEM 3 LITIGATION .....</b>	<b>5</b>
<b>ITEM 4 BANKRUPTCY .....</b>	<b>5</b>
<b>ITEM 5 INITIAL FEES .....</b>	<b>5</b>
<b>ITEM 6 OTHER FEES .....</b>	<b>6</b>
<b>ITEM 7 ESTIMATED INITIAL INVESTMENT .....</b>	<b>13</b>
<b>ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....</b>	<b>19</b>
<b>ITEM 9 FRANCHISEE’S OBLIGATIONS.....</b>	<b>24</b>
<b>ITEM 10 FINANCING .....</b>	<b>26</b>
<b>ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING ...</b>	<b>26</b>
<b>ITEM 12 TERRITORY .....</b>	<b>34</b>
<b>ITEM 13 TRADEMARKS.....</b>	<b>37</b>
<b>ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....</b>	<b>40</b>
<b>ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....</b>	<b>41</b>
<b>ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....</b>	<b>42</b>
<b>ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....</b>	<b>43</b>
<b>ITEM 18 PUBLIC FIGURES.....</b>	<b>53</b>
<b>ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....</b>	<b>53</b>
<b>ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....</b>	<b>53</b>
<b>ITEM 21 FINANCIAL STATEMENTS.....</b>	<b>56</b>
<b>ITEM 22 CONTRACTS .....</b>	<b>56</b>
<b>ITEM 23 RECEIPTS.....</b>	<b>57</b>

### **Exhibits**

Exhibit A – List of State Administrators	
Exhibit B – List of Agents for Service of Process	
Exhibit C – Table of Contents of Operations Manual	
Exhibit D – Financial Statements	
Exhibit E – Form of Franchise Agreement (for Principal Location(s))	
Exhibit F – State Specific Addenda	
Exhibit G – List of Franchisees	
Exhibit H – List of Franchisees Who Have Left the System	
Exhibit I – Franchisee Questionnaire	
Exhibit J – Sample Form of Release Agreement	
Exhibit K – State Effective Dates	
Exhibit L – Receipts	

**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “Company,” “we” or “us” means Evans Garment Restoration II, LLC, the franchisor of this business. “You” means the person who buys the franchise and includes your owners if you are a corporation or other business entity.

**Franchisor**

We are a limited liability company formed in the state of Illinois on November 5, 2013. On October 19, 2017, we were reincorporated in the State of Tennessee. Our principal business address is 1750 Transport Avenue, Memphis, TN 38116. We only do business under our legal entity name and our then-current Proprietary Marks.

We have directly or indirectly owned and operate one (1) or more System Business(es) that operate (a) utilizing certain of the Proprietary Marks, including LYONS, LYONS CLEANERS, and LYONS TEXTILE RESTORATION, and (b) in a substantially similar manner to the Franchised Business being offered in this Disclosure Document since at least as early as 2000 (each, an “Affiliate Location”).

We have been offering franchises for the type of Franchised Business disclosed herein since 2014. We have not offered or awarded franchises in connection with any other line of business and, except as provided in this FDD, we are not engaged in any other substantive business activities, as of the Issue Date.

**Franchise Offering in this Disclosure Document**

*Franchised Business Generally*

A System Business will have the right to use our then-current System that, as of the Issue Date, is comprised of, among other things: (i) proprietary restoration processes (the “Proprietary Processes”) that are used in connection with the provision of the Approved Services, as well as related transportation, management systems, marketing and sales procedures, as well as general procedures for operating and managing a Business; (ii) standards and specifications for the Premises of a Principal Location and/or Depot Location; (iii) our proprietary training materials, as well as our confidential operations manual and any other manuals we determine to provide System franchisees with access (collectively, the “Manuals”).

*Principal Location*

Your initial Franchised Business must be operated from a Principal Location that is capable of offering and providing all of our then-current Approved Services that, as of the Issue Date, include: (i) pick-up and delivery services in connection with clientele garments, textiles, furniture and/or other household goods that require restoration or other services (each, a “Client Product”); (ii) cleaning (on-site or otherwise), contents manipulation, personal property inventorying services, Client Product storage and/or related services associated with such Client Product(s); and (iii) any other services related to the Client Product that we authorize in writing via the Manuals or otherwise.

By way of example, please note the Client Product(s) may include, but are not necessarily limited to, any kind of (a) furniture and fixtures associated with the Client’s residence or commercial premises, (b) bric-a-brac, (c) appliances and/or other household electronics, (d) area and/or other rugs and/or carpet (including Oriental-style), (e) clothing, shoes, purses and other bags, (f) bedding, draperies, artwork and/or other décor

comprised of fabric or other elements, and (g) consumer electronics, as such items might be affected by a casualty loss such as fire, water, weather, or mold (collectively, the “Restoration Services”), and (b) related products associated with the provision of the Approved Services (*i.e.*, hangers, garment bags, etc.) and any other branded apparel or merchandise we designate in the Manuals or otherwise in writing (collectively, the “Approved Products”), including items such branded laundry products, marking tags and ribbons.

As part of the System, you will be required to: (i) acquire and/or license certain items that you must utilize and/or make available for sale in connection with your Franchised Business that will be set forth in the Manuals or otherwise in writing (each, a “Required Item”); and (ii) acquire certain Required Items from a particular source/supplier that we designate in the Manuals or otherwise approve in a separately signed writing (each, an “Approved Supplier”).

We expect that a typical Franchised Business being operated as a Principal Location will be located at an approved Premises that is between 10,000 to 30,000 square feet that is either a stand-alone location or part of a large shopping center or comparable venue.

#### *Depot Location(s)*

Once a System franchisee that has opened and commenced operation of its franchised Principal Location from an Existing Facility premises that we approve, we may award such franchisee the right to develop additional Franchised Business from a premises that is either (a) existing, or (b) leased from a third party, and this is located in a Designated Territory that is contiguous or adjacent to the Designated Territory awarded in connection with your Principal Location (each, a “Depot Territory”).

Each franchised Depot Location must actively support, and work in conjunction and cooperation with, your Principal Location to offer more efficient turn-around and/or emergency restoration services. Among other things, each Depot Location must maintain an ancillary production plant as well as storage and customer viewing spaces for finished goods. A limited amount of restoration work may be performed at the premises of a Depot Location, but we expect that the majority of the Restoration Services will be provided and performed at your Primarily Location.

We expect that a typical Franchised Business being operated as a Principal Location will be located at an approved Premises that is between 3,500 to 10,000 square feet that is either a stand-alone location or part of a large shopping center or comparable venue. Please note that we expect that each Depot Location must be staffed by at least: (i) one (1) “Account Manager” that will be responsible for overseeing business development in the Designated Territory awarded in connection with that Depot Location; and (ii) one (1) “Field Representative” that will be responsible for overseeing and providing field services, emergency clothes services, as well as short-term and long-term storage and delivery to/from the Depot Location, Principal Location and (if applicable) client’s designated delivery location.

Each Depot Location will be operated pursuant to a form of addendum to the Franchise Agreement governing your corresponding Principal Location (a “Depot Addendum”), with a copy of our current form of Depot Addendum attached to the Franchise Agreement as Exhibit E. You will not be able to operate a Depot Location unless you have an actively operating Principal Location, subject to any approved relocation requests for the premises of the Principal Location.

#### *Franchised Business(es) Generally*

We identify our System Businesses using our then-current Proprietary Marks, including without limitation, the trade names, service marks, trademarks, logos, emblem(s), trade dress and other indicia of source that



we designate from time to time in the Manual(s) or otherwise in writing. Please note that we may continue to develop, and may supplement, substitute or otherwise modify the Proprietary Marks for use in connection with a Franchised Business, upon prior written notice in the Manuals or otherwise.

### Predecessors, Parents and Affiliates

We do not have any predecessors that require disclosure in this Item.

Our parent, Lyons Enterprises, Inc., is a corporation formed under the laws of Tennessee on March, 3, 2003 (our “Parent”), with a principal business address at 1750 Transport Avenue, Memphis, Tennessee 38116. Our Parent has directly or indirectly owned businesses that provide restoration services since January 2000, but it has not offered or awarded licenses or franchises in any line of business.

Our former affiliate, Evans Garment Restoration, LLC, an Illinois limited liability company, assigned a single Franchise Agreement that it had entered into with a third-party franchisee for a Principal Location with that assignment taking place in 2014. This affiliate previously offered licenses for right to operate a business that was operated in a somewhat similar manner to the Franchised Business being offered in this Disclosure Document from 2005 to 2013, but which utilized different methodologies, products and processes than our current System franchisees. As of the Issuance Date, this affiliate has not offered or sold any other licenses/franchises in any line of business and, except as provided above, has not been involved in any other material business activities.

Except as provided in this Item, we do not have any other affiliates that (a) have offered or sold franchises in any line of business, or (b) serve as a current Approved Supplier for any Required Item that our System franchisees must acquire in connection with the establishment and/or operation of a Franchised Business.

### Market and Competition

Our Businesses offer the Approved Services (including all Restoration Services) to the general public and insurance providers. Insurance companies utilize the Restoration Services as a cost-effective alternative to replacing personal property that are damaged due to accidents and natural disasters. The market for Restoration Services is well-developed and is not seasonal, but demand may vary and increase due to the occurrence of certain natural disasters that may occur on a seasonal basis, such as hurricanes, tornadoes, snowstorms and/or other severe weather. We expect that your Franchised Business will face competition from other licensed, franchised, and independently owned restoration service providers.

### Industry-Specific Regulations

Businesses are subject to various federal, state, and local laws and regulations relating to the operation of dry-cleaning and restoration businesses, including health, safety, environmental and sanitation laws. Use of certain chemical cleaning and finishing products may be regulated in your state or municipality. Your Business will also be subject to laws or regulations that are not specific to the restoration industry, but applicable to businesses in general, including zoning laws, labor laws, the Fair Labor Standards Act, workers’ compensation laws, business licensing laws and tax regulations, the Occupational Health and Safety Act, and the Americans with Disabilities Act.

You are advised to investigate these laws and regulations before acquiring any franchise for the right to independently own and operate a Franchised Business and/or entering into any agreement with us.

**ITEM 2**  
**BUSINESS EXPERIENCE**

**Mr. Joel Lyons: President**

Mr. Lyons has served as our President since September 2017. Mr. Lyons has also served as the President of our Parent since January 2001.

**Barry Cannon: National Technical Director**

Mr. Cannon has served as our National Technical Director since our formation in November 2013. Mr. Cannon has also served as the National Technical Director of our affiliate Evans Garment Restoration, LLC since its formation in March 2003. Mr. Cannon has also served as the Plant Manager of Evans Services, Inc. since April 2000.

**Meg Lenihan: National Sales Manager**

Ms. Lenihan has served as our National Sales Manager since December 2022, performing her services primarily out of Tennessee region. Prior to that time, Ms. Lenihan served as: (i) National Sales Director for CRS Temporary Housing from August 2022 through October 2022, located in Phoenix, Arizona; and (ii) Director of Strategic Development for Assured Relocation, located in Redwood City, California, from May 2016 through August 2022.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5**  
**INITIAL FEES**

*Initial Franchise Fee*

You must pay us an Initial Franchise Fee amounting to \$40,000 in connection with each Franchised Business, which is due immediately upon execution of your Franchise Agreement or Depot Addendum (as applicable). The Initial Franchise Fee is deemed fully earned and non-refundable upon payment. We expect and intend to uniformly impose this Initial Franchise Fee on new System franchisees.

*Initial Inventory Package*

You must purchase your initial inventory of merchandise and supplies, including Proprietary Products, such as our proprietary and/or branded chemicals, tags, ribbons, marketing supplies, and other supplies and items that may be required by us.

The estimated cost of the initial inventory you will need to acquire from our Approved Supplier (currently, us as of the Issuance Date) (the “Initial Inventory Fee”) will be \$3,000 to \$5,000 for both a Principal Location and Depot Location. The exact amount of your Initial Inventory Package will vary depending on the size of Franchised Business and the type of Location being franchised.

You must pay for the Initial Inventory Package at the time you execute your Franchise Agreement or otherwise prior to us sending that Package to you prior to opening. The amount paid will be deemed fully earned and non-refundable upon execution of your Franchise Agreement and, subject to the terms set forth above in this Item, we expect to uniformly impose the cost of this Package on our System franchisees (subject to their size and type of Business location).

#### *Technology Fee*

You will be required to start paying your Technology Fee one month prior to opening the Franchised Business. The Technology Fee costs \$11.65 to \$25.25 per month, and you must obtain at least three (3) total licenses for approximately \$35 to \$76.

Except as provided above, we expect and intend to impose these fees uniformly on our new System franchisees.

### **ITEM 6 OTHER FEES**

<b>TYPE OF FEE<sup>1</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty Fee(s)	The greater of: (i) 6% of the Gross Sales <sup>1</sup> generated by your Franchised Business(es) over the preceding reporting period; and (ii) any applicable minimum Royalty Fee that will vary based on (a) the size of your Designated Territory, and (b) how long the Business has open (a “Minimum Royalty”).	Currently, Deducted Weekly from Your Bank Account via an Electronic Funds Transfer (“EFT”) System	See Notes 1 and 2 for further information, including Minimum Royalty chart.
Annual Franchise Fee	\$5,000 each year	Automatically deducted from Your Bank via the EFT System	You are required to pay an Annual Franchise Fee of \$5,000 to us each year.
Contribution to Brand Development Fund (or “Fund”)	2% of Gross Sales generated by the Franchised Business(es) over the preceding reporting period.	Same Time and Manner as your Royalty Fee	See Note 3

TYPE OF FEE <sup>1</sup>	AMOUNT	DUE DATE	REMARKS
Required Software Fee(s)	<p>Currently, these fees are as follows:</p> <p>Principal Location: (i) the then-current initial license fee, which is currently \$5,000, plus (ii) \$2,000/year license fee, and (iii) \$510/month for required support/maintenance.</p> <p>Depot Location: \$150/month (for additional licensing, maintenance and support) per Location</p>	As Arranged with Approved Supplier(s)	We may require that you license and utilize certain required software in connection with each Franchised Business, as set forth in our Manual(s) or otherwise in writing.
Technology Fee	You must pay us our then-current technology fee, which is currently \$11.65 to \$25.25 per user per month (the "Technology Fee"). You will be required to pay the Technology Fee in connection with three users (Owner, Coordinator, and Accountant manager) each month (for a total of \$34.95 to \$75.75 per month).	As agreed to with us or, if applicable, our Approved Supplier	See Note 4
Ongoing Inventory/Supplies	Varies based on demand for Approved Services and Approved Products	As invoiced	<p>We or our affiliate(s) may be an approved supplier for certain ongoing inventory, supplies and any branded/proprietary items you must acquire and use (and/or sell) in connection with your Franchised Business in the future.</p> <p>We will set forth any Required Items you must purchase from us or any other Approved Supplier in our then-current Manuals.</p>

TYPE OF FEE <sup>1</sup>	AMOUNT	DUE DATE	REMARKS
Training Fee	Our then-current training fee (“Training Fee”).  Currently, \$400 to \$600/day per trainer we provide to perform such training or support/assistance	Prior to us providing the training at issue	We reserve the right to charge you this fee in connection with any (a) additional training you request or that we otherwise provide at the premises of your Franchised Business, and/or (b) Remedial Training you are required to complete to cure your material default(s) under your Franchise Agreement.
Transfer Fee	\$10,000 (per Location)	Prior to or upon us consenting to your transfer proposal	See Note 5
Renewal Fee	\$5,000 (per Location)	Prior to or upon our approval of your renewal request	See Note 6
<i>The Remainder of the Fees and Amounts Disclosed Below Will Only be Incurred in Connection with Franchisee’s Breach or Violation of the Franchise Agreement or Depot Addendum OR in Connection with a Request or Proposal by Franchisee</i>			
Collection Costs, Attorneys’ Fees, Interest	Fees and Costs Incurred plus Interest at 18% or Highest Lawful Interest Rate for Commercial Transactions	As Incurred	See Note 7
Reimbursement of Insurance-Related Costs that Franchisor Incurs and Non-Procurement Fee	Cost of Insurance and an 18% Administrative Fee	As Required by Insurer or Broker	See Note 8
Audit/Inspection Costs	Cost of Audit and/or Inspection	As Required	See Note 9
Financial Records and Reports	Cost of Preparing Financial Statements	Annually	You must provide certain reports regarding your Gross Sales and other financial performance of our Franchised Business.
Taxes on Payments to Us	Amount of Tax or Assessment	When Imposed by Taxing Authority	See Note 10
Indemnification	Actual Costs We Incur in Costs and/or Damages	When Incurred	See Note 11

TYPE OF FEE <sup>1</sup>	AMOUNT	DUE DATE	REMARKS
Non-Approved Supplier or Product Evaluation – Fee and Reimbursement of Costs	\$250 application fee, plus reimbursement our actual costs associated with conducting the evaluation	When Incurred	See Note 12
Post-Termination and Post-Expiration Expenses <sup>12</sup>	Costs and Expenses Associated with Your Ceasing of and De-identification with the Business	When Incurred	See Note 13
Late Payment Fee	\$50/Week plus Interest at 18% or Highest Lawful Interest Rate for Commercial Transactions	As Incurred	See Note 14
Late Report Fee	\$100 per report infraction	As Incurred	See Note 14
Fees to Third Parties, including Approved Suppliers <sup>13</sup>	As Required	As Incurred	See Note 15

**Explanatory Notes to Item 6 Chart Above:**

**General.** Unless otherwise indicated, all of the fees listed in this Item 6 are uniformly imposed by or collected by us, and are deemed fully earned and non-refundable upon payment.

**Note 2. Royalty Fee(s) and Definition of “Gross Sales”.**

1. **Gross Sales.** For the purposes of determining the royalties to be paid under the Franchise Agreement, the term “Gross Sales” includes all revenues you generate from all Restoration Services or related services provided at or from your facility during the preceding reporting period, including amounts received, whether from a partial payment or a payment in full, from the sale and delivery of any services, products, merchandise, and tangible property relating to the Restoration Services or bearing the Proprietary Marks, whether in cash or for credit, and will be based on the amount actually collected during the preceding reporting period. No deductions shall be made for any other discounts, commissions, referral fees, expenses or other adjustments not approved in writing by Franchisor. Gross Sales do not include the amount of any applicable sales tax imposed by any federal, state, municipal, or other governmental authority if the taxes are stated separately when the customer is charged and you pay taxes as and when due to the appropriate taxing authority. Also excluded from Gross Sales is the amount of any documented refunds, chargebacks, credits and allowances given to customers in good faith and in accordance with our operating procedures. No other fees or expenses may be deducted from Gross Sales other than those explicitly enumerated in this paragraph. All barter and exchange transactions for which you furnish services or products in exchange for goods or services to be provided to you by a vendor, supplier, or customer will be valued at the full retail value of the goods or services provided to you. We may require that your report your Gross Sales on a per Location basis if you are operating one (1) or more Depot Locations.
2. **Royalty Fee(s); Minimum Royalty.** You must pay us a weekly royalty fee equal to 6% of your Gross Sales (as defined below) as applicable, for the previous week (the “Royalty Fee”).

Once you have been open and operating your Franchised Business for a period of one (1) year, you will be required to pay us a Minimum Royalty based on (a) the population of your Territory(ies),

and (b) how long you have been open and operating, in accordance with the following schedule (the “Minimum Royalty”):

<b>Year of Operation</b>	<b>Minimum Royalty Fee for Territory Containing Less than 1,000,000 Households</b>	<b>Minimum Royalty Fee for Territory Containing 1,000,000 or More Households</b>
2nd Year (starting in Month 13)	\$1,000/month	\$1,500/month
3 <sup>rd</sup> Year (starting in Month 25)	\$1,250/month	\$2,000/month
4 <sup>th</sup> Year (starting in Month 37)	\$1,500/month	\$2,500/month
5 <sup>th</sup> Year (starting in Month 49)	\$1,500/month	\$3,000/month

Each month we will average the amount that you paid in the previous three months. In the event that your average Royalty payment over the applicable three-month period does not equate to the Minimum Royalty, then you will owe us a Royalty Fee equal to the difference between what you paid for the current month in Royalties and what is required based on the chart above.

We may collect all Royalty Fees, including Minimum Royalties, via EFT from the bank account you designate for use in connection with your Franchised Business(es).

3. **Fund Contribution(s).** We have established a brand development fund (the “Fund”) for the common benefit of System Franchisees. We require you to participate in and contribute weekly to the Fund in an amount equal to two percent (2%) of Gross Sales, as applicable, for the previous reporting period (the “Fund Contribution”) of weekly Gross Sales in the manner we prescribe. You must pay the Fund Contribution in the same manner as the Royalty Fee due under the Franchise Agreement. Upon written notice to you, we may designate another method of payment. We reserve the right to change the amount of the Fund Contribution in the future. We may, but are not obligated to, establish a fund committee (the “Fund Committee”) to administer Fund expenditures. We may have the Fund incorporated or otherwise operated through a separate entity (including, without limitation, the Committee) and such successor entity will have all the rights specified in the Franchise Agreement.
4. **Technology Fee.** The Technology Fee currently provides services to you in connection with email accounts, and cybersecurity software add-ins.
5. **Transfer Fee.** You must meet or otherwise satisfy various criteria and/or obligations as a condition to us approving your request to assign or transfer any ownership interest in Franchisee, the Franchise Agreement and/or any Franchised Business, including payment of this Transfer Fee plus any broker fees. We will only charge you a reduced administrative fee amounting to up to \$1,000 in connection with any transfer of your Franchise Agreement from (a) you to an entity that you form and own for purposes of owning and operating the Franchised Business, or (b) your estate to a third party we approve in the event of your (or your operating principal’s) death or disability.
6. **Renewal Fee.** You must comply with various conditions in order for us to approve your request to renew the franchise rights awarded under a given Franchise Agreement, including payment of this Renewal Fee.
7. **Collection Costs, Attorneys’ Fees, Interest.** Any late payment or underpayment of the Royalty Fee, Advertising Fee, and any other charges or fees you owe us, will bear interest from the due date until paid at the lesser of 18% interest per year or the highest lawful interest rate that we may charge

for commercial transactions in the state in which your Franchised Business is located. If you are in breach or default of any monetary or non-monetary material obligation under the Franchise Agreement or any related agreement between you and us and we engage an attorney to enforce our respective rights (whether or not we initiate formal judicial proceedings), you must pay all reasonable attorneys' fees, court costs, and litigation expenses we incur. If you institute any legal action to interpret or enforce the terms of the Franchise Agreement and your claim is denied or the action is dismissed, you must reimburse us our reasonable attorneys' fees and all other reasonable costs and expenses incurred in defending against the action. We are entitled, under the Franchise Agreement, to have the costs listed above awarded as part of the judgment in the proceeding.

8. **Insurance-Related Reimbursement.** We have the right to procure insurance on your behalf if you fail to comply with our minimum insurance requirements. You must pay us the premium cost of any insurance, plus an administrative fee equal to 18% of the premium cost for obtaining insurance on your behalf. We have the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days' prior written notice to you and you must comply with any modification within the time specified in the notice.
9. **Audit/Inspection Costs.** You must maintain accurate business records, reports, accounts, books, and data relating to the operation of your Franchised Business. We and our designees retain the right to inspect and/or audit your business records at any time during normal business hours to determine whether you are current with suppliers and/or otherwise are operating in compliance with the terms of the Franchise Agreement and Operations Manual. If any audit reveals that you have misrepresented your total Gross Sales from Restoration Services or otherwise understated your Royalty Fee or any other payments by more than two percent (2%) or if you have failed to submit timely reports and/or remittances for any two (2) reporting periods, within any twelve (12) month period, you must pay the reasonable cost of the audit and/or inspection, including the cost of outside auditors and attorneys (if we incur audit/attorney costs), together with amounts due for the Royalty Fee and other fees as a result of underreporting and/or failure to submit reports and all late fees and interest which may otherwise be due under the Franchise Agreement.
10. **Taxes on Payments to Us.** If any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment you make to us, in addition to all payments due to us, you must pay the tax, levy or assessment.
11. **Indemnification.** You and your principals agree to indemnify, defend and hold us, our affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnitees") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) the operation of your Business, including the use, condition, construction and buildout, equipping, decorating, maintenance or operation of the Business premises, the sale of any products and services, including Restoration Services, the sale of related products and services, and your advertising; (ii) the use of the Proprietary Marks and System-associated processes/procedures; (iii) the Franchise Agreement or operating your Business(es) in any manner inconsistent with those Agreements or any other agreement you sign with us; (iv) the infringement, alleged infringement, or any other violation or alleged violation by you or any of your principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (v) libel, slander or any other form of defamation of us, the System or any Franchisee or representative operating under the System, by you or by any of your principals. For purposes of this indemnification, "Claims" means and includes all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants', and



expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through you to us. We will have the right to defend any such claim against us in such manner as we deem appropriate or desirable in our sole discretion. Such an undertaking by us will, in no manner or form, diminish you and each of your principals' obligations to indemnify the Indemnities and to hold them harmless. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Franchise Agreement.

12. **Evaluation Fee and Reimbursement of Costs.** We may require that you pay us an evaluation fee in each instance where you propose a particular product or supplier for our approval, as required under your Franchise Agreement and consistent with the procedure outlined more fully in Item 8 of this Disclosure Document. Additionally, if we incur any costs in connection with testing a particular product or evaluating a supplier at your request, you must reimburse us our reasonable testing costs, regardless of whether we subsequently approve the product or supplier.
13. **Post-Termination and Post-Expiration Expenses.** Upon termination, expiration, non-renewal, and/or transfer of the Franchise Agreement for any reason, you must pay for all costs and expenses associated with ceasing operations and de-identifying yourself with the Business and System.
14. **Late Fee(s).** Any late payment or underpayment of the Royalty Fee, Fund Contribution, or any other charges or fees you owe us or our affiliates, will bear interest from the due date until paid at the lesser of eighteen percent (18%) interest per annum or the highest lawful interest rate which may be charged for commercial transactions in the state in which your Business is located, calculated on a daily basis. Additionally, you will be required to pay a late fee of fifty dollars (\$50) per week for each week in which such payment is not received by us or our affiliate. Nothing contained in the Franchise Agreement will prevent us from exercising, in our sole judgment, any other rights or remedies available to us under the Franchise Agreement.

**Late Report Fee.** If you are five (5) or more days late in submitting any monthly report described in Section 10 of the Franchise Agreement or otherwise required by us, or if you are fourteen (14) days late in submitting any report required under your Franchise Agreement or the Manual(s) you will be required to pay to us \$100 in connection with each such late report (per late submission) (the "Late Report Fee").

15. **Fees to Third Parties.** You may be required to pay additional fees to third parties in order to comply with the requirements and quality standards of National Accounts. The quality controls standards are those reasonably required by the Franchise Agreement and/or the Operations Manual, and those required by certain National Accounts, such as insurance providers. Such requirements may include purchasing additional certifications and/or licensure. We will have the right to suspend you from servicing such National Accounts and/or require you to complete additional training if you fail to meet these qualifications.

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

**A. YOUR ESTIMATED INITIAL INVESTMENT TO CONVERT EXISTING FACILITY TO PRINCIPAL LOCATION<sup>1</sup>**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>TIME OF PAYMENT</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee <sup>2</sup>	\$40,000	Lump Sum	When Signing a Franchise Agreement	Us
Training Expenses <sup>3</sup>	\$2,000 to \$5,000 (up to 2 persons)	As Incurred	As Incurred	Third Party Vendors (Hotels, Restaurants, Airlines)
Leasehold Improvements <sup>4</sup>	\$0 to \$40,000	As Arranged	As Arranged	Contractors
Initial Inventory <sup>5</sup>	\$3,000 to \$5,000	As Arranged	As Arranged	Us or our Designated or Approved Suppliers
Signage <sup>6</sup>	\$500 to \$2,000	As Arranged	As Arranged	Third Party Vendors
Insurance <sup>7</sup>	\$0 to \$3,000	As Arranged	As Arranged	Insurance Company or Broker
Business Licenses and/or Permits <sup>8</sup>	\$0 to \$1,500	As Incurred	As Incurred	Governmental Authorities, Utility Companies
Professional Fees <sup>9</sup>	\$500 to \$5,000	As Agreed	As Incurred	Third Party Service Provider

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	TIME OF PAYMENT	TO WHOM PAYMENT IS TO BE MADE
Initial Computer Hardware Costs <sup>10</sup>	\$6,900 to \$12,500	As Arranged	As Arranged	Third Party Vendors
Certain Operational Equipment <sup>11</sup>	\$5,000 to \$40,000	As Arranged	As Arranged	Third Party Vendors
Software <sup>12</sup>	\$7,635 to \$9,808	As Arranged	As Arranged	Third Party Vendors
Vehicles and Vehicle Wrap <sup>12</sup>	\$0 to \$40,000	As Arranged	As Arranged	Third Party Vendors
Additional Funds (3 Months) <sup>14</sup>	\$20,000 to \$100,000	As Arranged	As Incurred	Landlord, Employees, Designated and Approved Suppliers
<b>Total</b>	<b>\$85,535 to \$303,808</b>			

#### **Explanatory Notes to Chart 7(A) Above**

1. **General Note.** Our standard franchise offering expects and assumes that you will be converting an Existing Facility into your franchised Principal Location, and the estimated ranges in the Chart above are designed to account for the investment associated with such a conversion only. It does not account for the initial investment to build out a new Principal Location from a third-party premises.
2. **Initial Franchise Fee.** The Initial Franchise Fee is deemed fully earned and non-refundable upon payment, which is due immediately upon execution of your Franchise Agreement governing your Principal Location as described in Item 5 of this Disclosure Document.
3. **Initial Training Program – Costs and Expenses to Attend.** There is no tuition fee for our initial training program. However, you will be responsible for all travel expenses, lodging accommodations, and dining expenses for your designated principal operator (the “Principal Operator” or “Operating Principal”) and your designated plant manager (the “Plant Manager”) to attend our initial training.
4. **Leasehold Improvements (in Converting Existing Facility).** This item includes the cost of building out your Business in accordance with the specifications in our Operations Manual. The Existing Facility must meet our standards and specifications for the size, layout and buildout of a System Business, as described in the Manuals or otherwise in writing. We will provide you with the information necessary to update and convert your Existing Facility. A Principal Location must be a fully-functional plant that is capable of providing all Restoration Services and other Approved Services at its Premises. The location must also have a storage capacity and an ozone room.
5. **Initial Inventory.** You must purchase initial and ongoing inventory of merchandise and supplies from us or our Approved Suppliers (which may include our affiliate), including pack-out bags, boxes and other supplies and items that we designated in our Manuals or otherwise in writing once

you have signed your Franchise Agreement. This includes Proprietary Products, such as branded chemicals, tags, ribbons, marketing supplies purchased from us. You will purchase this inventory from us and/or approved vendors or designated suppliers listed in our Operations Manual, which is subject to change from time to time.

6. Signage. Each Franchised Business must acquire and display all exterior and interior signage that we designate (or otherwise approve) in our Manual(s) or otherwise in writing, all prior to you resuming and/or commencing any operations from your approved Premises (as applicable).
7. Insurance. You must obtain insurance as required by the terms of your Franchise Agreement. Business insurance coverage will vary from state to state and will depend on your prior loss experience, if any, the individual requirements of Program Work clients, the insurance required and/or the prior loss experience of your insurance carrier in the state or locale in which you operate the Business, and national or local market conditions. Your payment schedule will depend on the requirements of your chosen insurance carrier, and may be monthly, semi-annual or annual. The amount specified in the chart represents our estimate of the cost of maintaining the required insurance over your first three (3) months of operation. The low-end estimate of zero dollars assumes the insurance coverage in place for your Existing Facility will cover the costs associated with your Conversion Franchised Business.
8. Business Licenses and/or Permits. You must obtain those permits and licenses required for operating a Business, including any related to state, federal or local laws relating to the chemicals used in connection with the operation of your Business. Franchisees may not need to obtain any additional business licenses and permits, depending on the nature of the products and services offered at the Existing Facility. It is your responsibility to investigate local, state, and federal law regarding the existence of any applicable requirements for your Business.
9. Professional Fee(s). This range reflects the estimated costs of professional expenses for starting up your Business, and ongoing expenses during your first three (3) months of operation. You will likely need to engage an accountant and an attorney for your Business. Additionally, if required by state or local law, you may need to hire an engineer to install certain equipment or oversee the buildout of your Business.
10. Initial Compute Hardware Costs. This estimated range is designed to account for the initial cost of acquiring (or leasing) all computer hardware necessary to open and operate a Franchised Business as set forth in our Manual(s) or otherwise, and which may include (a) at least one (1) mobile smart phone meeting the System standards and specifications we designate, (b) one (1) laptop computer and/or comparable all-in-one tablet with WIFI and cellular access capability, (c) one (1) desktop computer capable of running all Required Software, including accounting/bookkeeping and CRM/POS software with at least two (2) monitors, (d) one (1) copier/printer/fax; (v) one (1) printer for purposes of printing marking tags, (vi) a router, network switch that is capable of running business class, high-speed Internet. Your costs will vary based on whether (a) you purchase or lease this hardware, and (b) the kind of hardware you determine to acquire (provided it meets our minimum System specs and/or designations).
11. Certain Operational Equipment. With respect to a Principal Location, the cost of the equipment you purchase will vary depending on the size, type of Location and the equipment that you are already using in connection with your Existing Facility. In order to operate a Franchised Business, you may purchase various equipment to provide the Restoration Services and all other Approved Services, as well as cover any related installation costs. You also may purchase certain equipment

and supplies specific to electronics and appliance restoration. Franchisees will not need to purchase such equipment if their Existing Facility is equipped with comparable equipment meeting our then-current standards and specifications. This estimate includes the cost of: (i) chiller equipment; (ii) soap pump equipment; (iii) installation of the preceeding equipment; and (iv) ozone washing equipment.

12. Software. The total initial cost of purchasing or leasing or otherwise acquiring access to the required computer software (including monthly fees and per-job fees due in your first three (3) months) includes requirements to obtain the following access to the current Required Software that must be acquired, licensed and used in connection with your Franchised Business operations. You will be responsible for all monthly services and/or license fees for use of such Required Software. You must execute the form of Software Sublicense Agreement attached to the Franchise Agreement as Exhibit F.
13. Vehicles and Vehicle Wrap. If you do not currently own two (2) vehicles meeting our standards and specifications that will be dedicated solely to use in connection with your franchised Business, you may need to lease or purchase the following: (i) one (1) cargo van with rails, for use in connection with transporting pack-out supplies and delivery of goods; and (ii) one (1) other van or SUV capable for use in connection with sales calls, pick-ups and deliveries (the “Vehicles”). Your upfront cost will vary depending on whether you lease or finance your purchase of the Vehicle(s). The low-end estimate of zero dollars assumes you currently own (or lease) and utilize one (1) or two (2) vehicles that already meet our standards and specifications in connection with your existing conversion Business, while the high end assumes you will need to secure and lease at least one (1) Approved Vehicle prior to your opening and over your first three (3) months of operations. Please note that you must also purchase and install vinyl lettering for each Vehicle containing the Proprietary Marks that meets our then-current standards and specifications, as set forth in the Owner’s Manual.
14. Additional Funds – 3 Months. The range in the chart reflects the amount of additional working capital you will need during the first three (3) months of operations after you convert your Existing Facility to a franchised Principal Location to cover any other expenses associated with that conversion and that period of active operations. These estimates are based on: (i) our experience in the garment restoration industry; (ii) the experience of our parent company Lyons Enterprises, Incorporated which has owned businesses providing clothing restoration services since January 2000, but does not offer licenses or franchises of any kind; (iii) the experience of our franchised outlets; and (iv) our preliminary discussions with suppliers and consultants regarding the cost of the items described above.

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**B. YOUR ESTIMATED INITIAL INVESTMENT FOR DEPOT LOCATION**

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT <sup>1</sup>	TIME OF PAYMENT	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee <sup>1</sup>	\$40,000	Lump Sum	Upon signing of franchise agreement	Us
Training – Costs and Expenses <sup>2</sup>	\$1,000 to \$3,000	As Incurred	As Incurred	Third-Party Vendors (i.e., Hotels, Restaurants, Airlines)
Leasehold Improvements <sup>3</sup>	\$0 to \$40,000	As Arranged	As Arranged	Third-Party Provider(s)
Initial Inventory <sup>4</sup>	\$3,000 to \$5,000	As Arranged	As Arranged	Us or our third-party Approved Supplier(s)
Signage <sup>5</sup>	\$500 to \$2,000	As Arranged	As Arranged	Approved Supplier
Insurance <sup>6</sup>	\$1,500 to \$4,000	As Arranged	As Arranged	Third-Party Provider
Business Licenses and/or Permits <sup>7</sup>	\$300 to \$1,400	As Incurred	As Incurred	Governmental Authorities, Utility Companies
Professional Fees <sup>8</sup>	\$500 to \$5,000	As Agreed	As Incurred	Third-Party Professionals
Computer System - Hardware <sup>9</sup>	\$6,900 to \$12,500	As Arranged	As Arranged	Approved Supplier and Third-Party Supplier
Operational Equipment <sup>10</sup>	\$40,000 to \$80,000	As Arranged	As Arranged	Approved Supplier(s) and/or other Third-Party Supplier
Required Software <sup>11</sup>	\$200 to \$800	As Arranged	As Arranged	Approved Supplier(s)
Approved Vehicle(s); Vehicle Wrap <sup>12</sup>	\$10,000 to \$40,000	As Arranged	As Arranged	Third-Party Dealer; Approved Supplier
Additional Funds – 3 Months <sup>13</sup>	\$20,000 to \$100,000	As Arranged	As Incurred	Personnel; landlord (if any);
<b>Total Estimated Investment Range</b>	<b>\$123,900 to \$333,700</b>			

**Explanatory Notes to Chart 7(B) Above:**

General. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. Actual costs will vary for each Business depending on a number of factors including market condition, and the geographic location of your Depot Location.

1. Initial Franchise Fee. The Initial Franchise Fee is presently \$40,000 and is described in Item 5 of this Disclosure Document and applies to each Depot Location you are awarded the right to operate as a Franchised Business.
2. Initial Training Program – Costs and Expenses. There is no tuition fee for our initial training program. However, you will be responsible for all travel expenses, lodging accommodations, and dining expenses for your designated principal operator (the “Principal Operator”) and your designated plant manager (the “Plant Manager”) to attend our initial training.
3. Leasehold Improvements. This item includes the cost of building out your Business in accordance with the specifications in our Operations Manual. All Depots must be within 300 miles of an existing Franchised Business you already own and operate that also has the capacity for dry-cleaning, finishing, and shirt laundry services. The Depot location must also have a storage capacity and an ozone room.
4. Initial Inventory. You must purchase beginning and ongoing inventory of merchandise and supplies, including pack-out bags, boxes and other supplies and items that may be required by us. This includes Proprietary Products, such as branded chemicals, tags, ribbons, marketing supplies purchased from us. You will purchase this inventory from us and/or approved vendors or designated suppliers listed in our Operations Manual, which is subject to change from time to time.
5. Signage. You must purchase signage containing the Proprietary Marks and meeting our then-current specifications, as described in the Operations Manual, prior to opening your Business. Depending on the size and location of your Business premises, you may need to purchase a window banner, building sign or yard sign.
6. Insurance. You must obtain insurance as required by the terms of your Franchise Agreement. Business insurance coverage will vary from state to state and will depend on your prior loss experience, if any, and/or the prior loss experience of your insurance carrier in the state or locale in which you operate the Business, and national or local market conditions. Your payment schedule will depend on the requirements of your chosen insurance carrier, and may be monthly, semi-annual or annual. The amount specified in the chart represents our estimate of the cost of maintaining the required insurance over your first three (3) months of operation.
7. Business License(s) and Permit(s). You must obtain those permits and licenses required for operating a Business, including any related to state, federal or local laws relating to the chemicals used in connection with the operation of your Business. Franchisees may not need to obtain any additional business licenses and permits, depending on the nature of the products and services offered at the Existing Facility. It is your responsibility to investigate local, state, and federal law regarding the existence of any applicable requirements for your Business.
8. Professional Fees. This range reflects the estimated costs of professional expenses for starting up your Business, including third-party accounting and legal fees.
9. Computer System - Hardware. This range estimates the costs to acquire the initial hardware comprising our System-designated Computer System, as detailed more fully in Item 11 of this Disclosure Document. Your costs will vary based on whether you purchase or lease this hardware and/or already own certain equipment that meets our System standards and specifications.

10. Operational Equipment. The cost of the equipment you purchase will vary depending on the size and location of your Business premises. In order to operate a Business, you may be required to purchase ozone washing equipment, a chiller and laundry chemical delivery system and a dry cleaning chemical delivery system, as well as pay for the cost of installation. The high end of this range assumes that you will be building out a new Depot Location, while the low end of this estimate assumes that this will convert an existing business that already has certain of the required equipment into a franchised Depot Location.
11. Required Software. The total initial cost of purchasing or leasing or otherwise acquiring access to the required computer software (including monthly fees and per-job fees due in your first three (3) months) includes requirements to obtain the following: (i) access to all Required Software we designated and require as of the Issue Date. You will be responsible for all monthly services and/or license fees for use of this software.
12. Approved Vehicle(s); Vehicle Wrap. If you do not currently own two (2) vehicles meeting our standards and specifications that will be dedicated solely to use in connection with your franchised Business, you may need to lease or purchase the following Approved Vehicles: (i) one (1) cargo van with rails, for use in connection with transporting pack-out supplies and delivery of goods; and (ii) one (1) SUV capable for use in connection with sales calls, pick-ups and deliveries. Your upfront cost will vary depending on whether you lease or finance your purchase of such Vehicle(s). You must provide vehicles for the Account Manager for use in connection with the Business. You will purchase and install vinyl lettering for each Vehicle containing the Proprietary Marks that meets our then-current standards and specifications, as set forth in the Owner's Manual.
13. Additional Funds – 3 Months. The range in the chart reflects the amount of additional working capital you will need during the first three (3) months of operations in connection with a Depot Location. These estimates are based on: (i) our experience in the garment restoration industry; (ii) the experience of our affiliate operations; (iii) the experience of our franchised outlets; and (iv) our preliminary discussions with suppliers and consultants regarding the cost of the items described above.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

#### Approved Products and Services

You may only market, offer, sell, and provide the Approved Services and any Approved Products we specifically authorize from and via your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Services and Approved Products, along with the standards and specifications for the sale and provision of the same, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify such lists in writing at any time.



If you wish to offer any product or service in your Franchised Business other than our Approved Services/Products, or use any item in connection with your Franchised Business that does not meet our System standards and specifications or otherwise as a substitute for any Required Item, then you must obtain our prior written approval as described more fully in this Item.

We reserve the right to modify the Approved Products at any time in our sole discretion, including the right for us or our affiliate(s) to develop proprietary products, recipes and equipment.

#### Required Purchases of Goods and Services

You are required to purchase equipment, fixtures, inventory, furnishings, décor items, supplies and signage for your Franchised Business, along with certain required software, that meets our specifications for quality and design from suppliers that we approve (which may include us or our affiliate(s)).

We must approve in writing in advance all services, products and other items offered for sale at or in connection with any Franchised Business you operate (whether a Principal Location or a Depot Location).

#### Required and Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

You may generally buy or lease original and replacement equipment, fixtures, and supplies meeting our specifications from any source, including us and our affiliates, although some items may be obtained only from our Approved Suppliers.

Currently, we have Approved Suppliers for the following items that must be used to establish and/or operate each Franchised Business: (i) certain initial and ongoing advertising, marketing and public relations materials/services that we designate; (ii) the point-of-sale and CRM software that you must use in connection with your Franchised Business (otherwise referred as “Required Software”); (iii) branded products and supplies, including mark tags, ribbons and other branded/proprietary chemicals and items; (iv) certain furniture, fixtures, equipment and interior signage that must be purchased to outfit and equip your Franchised Business; and (v) any graphic designs, including the wrap for your Approved Vehicle(s).

Currently, we are the Approved Supplier for the following items: (i) certain initial and ongoing inventory, including custom made tags and ribbons for use in connection with the Proprietary Process for inventory management; (ii) certain marketing materials and/or services that are consistent and provided in accordance with our current System standards and specifications; (iii) any technology services we determine to provide as part of your then-current Technology Fee; and (iv) any training that we provide to you as part of any Training Fee(s) you pay to us as required under your Franchise Agreement.

As of the Issuance Date, we have developed and are continuing to develop certain Proprietary Products, including cleaning and finishing chemicals, which you must purchase from us and/or any affiliates or our approved or designated suppliers, we may now or in the future designate.

Other than us and/or our affiliate(s), none of our officers own any ownership interest in any designated or otherwise Approved Supplier.

You must offer all the Proprietary Products we designate at your Business. If you decide to offer products or services other than those, we have authorized in connection with operating your Business, you must obtain our prior written consent as disclosed more fully below in this Item.

We restrict your sources of certain products to protect our trade secrets, assure quality, assure a reliable supply of products that meet our standards, achieve better terms of purchase and delivery service, control usage of the trademarks by third parties, and monitor the manufacture, packaging, processing, and sale of these items.

Any product or supply item we have not previously approved must be approved in writing by us before you may sell or use it at the Shop. We will issue and modify standards and specifications based on our, our affiliates', and franchisees' experience in operating Shops in our Manuals or otherwise in writing. Standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance.

We will provide certain standards and specifications for approved products and services and will identify our current Approved Suppliers in an update to our confidential Manual(s) or other written communications. Otherwise, we are not required to provide our specifications to you.

You must operate your Franchised Business in strict conformance with our methods, standards, and specifications, which we prescribe in our confidential Operations Manual and various other confidential manuals and writings prepared by us for your use in operating a Business. We may periodically change our standards and specifications at our sole discretion. The Operations Manual covers nearly all aspects of your Business's operations, including Business management, sales and marketing, employee recruitment and training, and merchandising.

#### Approved Services and Approved Products; Required Items

You may only offer, provide and/or sell the Approved Services and Approved Products we specify in our Manual(s) or otherwise in writing.

We will provide you with a list of our then-current (a) Approved Services and Approved Products, and (b) Required Items and Approved Supplier(s), via our Manual(s) or otherwise in writing at or around the time you are scheduled to attend and complete our required Initial Training Program.

All Approved Services and Approved Products must meet our standards and specifications, which we will provide to you or directly to our designated or approved vendors. We have the right to require you to purchase certain Approved Services and Approved Products, including any branded or otherwise Proprietary Products, only from us or other suppliers or distributors approved or designated by us in order to: (i) better assure the supply or quality of the Approved Services and Products; and/or (ii) enable us, in our sole discretion to take advantage of marketplace efficiencies.

We reserve the right to formulate and modify our standards and specifications for operating a Business based upon the collective experience of our affiliates and principals. Our standards and specifications are described in the Franchise Agreement, the Operations Manual, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the Business, including standards and specifications for products, signs, furnishings, supplies, fixtures, inventory and equipment by written notice to you or through changes in the Operations Manual. You may incur an increased cost to comply with these changes at your own expense; however, no change will materially alter your fundamental rights under any Franchise Agreement you may sign. We will notify you

of any change to our standards and specifications by way of written amendments to the Operations Manual or otherwise in writing.

#### *Alternate Supplier and/or Non-Approved Product(s)*

In the event you wish to purchase any unapproved item in connection with providing any Approved Services, including inventory, and/or acquire approved items from an unapproved supplier, you must provide us with the name, address, and telephone number of the proposed supplier, a description of the item you wish to purchase, and the purchase price of the item, if known. At this time, we are the only approved supplier of Approved Products, and we are not required to make our criteria for approving additional suppliers available to you. For each request, you must pay us an application fee. At our request, you must provide us, for testing purposes, with a sample of the item you wish to purchase. If we incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you or the supplier must reimburse our reasonable testing costs, regardless of whether we subsequently approve the item or supplier. We will provide you with notice of our approval or disapproval of a particular supplier, product, or service within thirty (30) days of receiving all requested information and/or samples. Nothing will be construed to require us to approve any particular supplier. We may base our approval of any proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation we deem necessary or desirable in our System as a whole. We have the right to receive payments from suppliers on account of their dealings with you and other System franchisees, and to use all amounts we receive without restriction (unless instructed otherwise by the supplier) for any purposes we deem appropriate. We will not approve an unreasonable number of suppliers for a given item, which approval might, in our reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that the products or suppliers no longer meet our standards. Upon receipt of written notice of revocation, you must immediately cease purchasing the disapproved products or services from suppliers. You must use products purchased from approved suppliers solely in connection with the operation of your Business and not for any competitive business purpose. We have negotiated purchase arrangements with suppliers of software and other suppliers of required goods and services for your benefit, and reserve the right to negotiate further purchasing arrangements. Currently, we have negotiated special contract pricing in connection with certain Required Software you must license and use in connection with your Franchised Business.

#### *Right to Derive Revenue*

We reserve the right to derive revenue from your required purchases from us, our affiliates, and our designated and approved suppliers. During our most recent fiscal year that ended December 31, 2022, we derived \$141,973 or 36.5 % of our total revenue of \$436,564, from the payment of software fees from our franchisees, and the sales of products and services to our franchisees. We did not have any affiliates that generated revenue from our System franchisees' required purchases in their respective past fiscal year(s) ending December 31, 2022.

#### Required Items

We estimate that your required purchases will account for: (i) approximately 50% to 75% of all purchases and leases necessary to open your Principal Location; or (ii) approximately 70% to 90% of all purchases and leases necessary to open any Depo Location. The relative significance of required purchases compared to total initial expenses will vary based on the amount of existing equipment and supplies you already have at the Existing Business that can be used at your Franchised Business. Required purchases will account for approximately 35% to 60% of your annual costs to operate a given Franchised Business on an ongoing

basis once that System Business has ramped up operations.

### Advertising and Marketing

We must approve all advertising before first publication or use. Additionally, you must purchase certain marketing materials from us.

### Insurance

Business insurance coverage for System locations will vary from state to state and will depend on your prior loss experience, if any, and/or the prior loss experience of your insurance carrier in the state or locale in which you operate the Business, and national or local market conditions. You must maintain: (i) commercial general liability insurance with the following minimum limits, (a) \$2,000,000 in the general aggregate, (b) \$2,000,000 products and completed operations aggregate, (c) \$1,000,000 personal and advertising injury limit, and (d) \$1,000,000 per occurrence unit; (ii) bailee's legal liability insurance with a limit of \$2,000,000 per loss; (iii) automobile liability insurance with a combined single limit of \$1,000,000 covering bodily injury and property damage including hired and non-owned motor vehicles; (iv) worker's compensation and employer's liability insurance as required by law with a waiver of subrogation endorsement as to claims against Franchisor and its Indemnitees (as the term is defined in the Franchise Agreement); (v) third party bonding insurance with minimum limits of \$50,000 per loss; (vi) property insurance on buildings and personal property including personal property of others on a replacement cost, no coinsurance basis which includes business income and extra expense coverage for 12 months exposure; (vii) commercial umbrella liability insurance policy with a limit of at least \$4,000,000 per occurrence and aggregate that lists the commercial general liability, automobile liability and workers' compensation/employers' liability policies as scheduled underlying policies; (viii) cyber-liability insurance in the minimum amount that we set forth in the Manuals or otherwise in writing; and (ix) any other insurance that we specify in the Manual from time to time.

You agree to provide us with proof of coverage on demand. You agree to obtain these insurance policies from insurance carriers that are rated "A" or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Business. All insurance policies must: (i) name us (and our members, officers, directors, and employees) as additional insureds; and (ii) contain a waiver by the insurance carrier of all subrogation rights against us. Furthermore, you will be required to provide ten (10) days prior written notice of the termination, expiration, cancellation or modification of any insurance policy. Our acceptance of an insurance carrier does not constitute our representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. You agree to carry such insurance as may be required by the lease of the Approved Location, as defined in Item 12 of this Franchise Disclosure Document, or by any of your lenders or equipment lessors. You must submit a certification of insurance that demonstrates compliance with Section 9 of the Franchise Agreement. If you fail to comply with the minimum insurance requirements, we have the right to obtain such insurance and keep it in force and effect and you will pay us, on demand, the premium cost and administrative costs of eighteen percent (18%) in connection with our obtaining the insurance. We have the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days prior written notice to you, and you will comply with any such modification within the time specified in said notice. You will join any local or regional insurance association operating within the Territory and purchase a listing in any periodicals published by such associations.

### Leasehold Improvements

You must purchase or lease a commercial space for your Business that meets our standards and specifications for a System Business. Franchisees may be able to operate from the premises of their Existing Facility; provided, however, that the Existing Facility meets our then-current standards and specifications for Franchised Business, as described in the Operations Manual. The Existing Facility must have sufficient space, storage room and utility capacity to accommodate increased volume. The requirements for the buildout of your approved Premises include, without limitation, the following: (i) storage capacity; (ii) ozone room; and (iii) with regards to a Principal Location, a fully-functioning plant with dry cleaning, finishing and shirt laundry equipment.

### Computer Hardware and Software Components

You must purchase or lease computer equipment and software according to our standards and specifications. Item 11 of this Disclosure Document contains additional information about our computer requirements.

## **ITEM 9** **FRANCHISEE'S OBLIGATIONS**

The table on the following pages lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>	<b>Section in Depot Addendum</b>
a. Site selection and acquisition/lease	1.2, 7.1 and Data Sheet	Items 7, 11 and 12	1
b. Pre-opening purchases/ leases	7.4 and 7.8	Items 7 and 8	Not Applicable
c. Site development and other pre-opening requirements	3.6, 7.1, 7.3 and 8.1	Items 6, 7, 8 and 11	Not Applicable
d. Initial and ongoing training	7.2 and 8	Item 11	8 and 9
e. Opening	7.3	Item 11	Not Applicable
f. Fees	2.2.10, 3, 6.5, 6.6, 7.4.3, 8.1, 12.4, and 14.3.2.7	Items 5, 6, 7, and 11	4, 6, 7, 8, 9, and 10
g. Compliance with standards and policies/	6.1, 7.5, and 7.6	Items 8 and 11	Not Applicable

<b>Obligation</b>		<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>	<b>Section in Depot Addendum</b>
operations manual				
h.	Trademarks and proprietary information	4, 5 and 7.15	Items 13 and 14	Not Applicable
i.	Restrictions on products/ services offered	7.4 and 7.5	Items 8, 12 and 16	Not Applicable
j.	Warranty and customer service requirements	7.6 and 7.16	Item 15	Not Applicable
k.	Territorial development and sales quotas	Not applicable	Items 12 and 17	3
l.	Ongoing product/ service purchases	6.2, 7.4, and 7.5	Items 8 and 11	7
m.	Maintenance, appearance and remodeling requirements	2.2.3, 6.2, 7.1.1, 7.16 and 7.18	Items 6, 8 and 11	Not Applicable
n.	Insurance	9	Items 6, 7 and 8	Not Applicable
o.	Advertising	3.4 and 12	Items 6 and 11	Not Applicable
p.	Indemnification	13.2	Item 6	Not Applicable
q.	Owners' participation/ management/ staffing	7.6	Items 11 and 15	Not Applicable
r.	Records and reports	10 and 11	Item 6	Not Applicable
s.	Inspections and audits	1.2, 7.1, 7.3, 7.7, 10, 11 and 16.1.9	Items 6 and 11	Not Applicable
t.	Transfer	14	Item 17	Not Applicable
u.	Renewal	2.2	Item 17	Not Applicable
v.	Post term obligations	16 and 17.2	Item 17	Not Applicable
w.	Noncompetition covenants	17	Item 17	Not Applicable

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>	<b>Section in Depot Addendum</b>
x. Dispute resolution	18	Item 17	Not Applicable
y. Guarantee	14 and 20; Exhibit A	Item 15	Not Applicable

## **ITEM 10** **FINANCING**

We do not offer direct or indirect financing. We will not guarantee your note, lease or other obligations.

## **ITEM 11** **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

### **A. Pre-Opening Obligations.**

Before you open your Business, we will provide you with the following assistance:

1. We will loan you a copy of our proprietary and confidential Operations Manual, which we may amend periodically. (Section 6.1 of the Franchise Agreement). The table of contents of the Operations Manual is included as Exhibit C to this Franchise Disclosure Document. The Operations Manual is currently comprised of approximately 51 pages of content.

2. You (or your Principal Operator, as defined below), as well as the individual(s) you appoint and engage to serve as your Plant Manager, Coordinator and Account Manager, must attend, and complete to our satisfaction, our initial tuition-free training program, which is scheduled on an individual basis for new franchisees. You or the Principal Operator are solely responsible for training your other employees. If you are a partnership, corporation or limited liability company, at least one (1) of the trainees must be your Principal Operator (an owner/principal of the Franchised Business that will be responsible for operation of the Franchised Business) (Section 8.1 of the Franchise Agreement). The foregoing individuals must complete initial training at our headquarters or complete on-site training at one of our existing facilities. We do not charge a tuition fee for this mandatory initial training; however, you must pay your and your employees' costs in attending the program, including travel costs, room and board expenses, and employees' salaries. (Section 8.1 of the Franchise Agreement).

3. The required training for (a) you or your Principal Operator lasts up to five (5) days (part of which is provided at our corporate training location), (b) Plant Manager that consists of 13 days (part of which is provided at our corporate training location), (c) your Coordinator that consists of three (3) days of remote instruction and/or (some of which may occur at or around the time you launch operations), and (d) Account Manager consisting of around three (3) days of remote instruction.

4. We will provide you with our standards and specifications for the initial inventory necessary to begin operations of your Business. (Section 6.2 of the Franchise Agreement).

### C. Site Selection

We will evaluate the site you propose to serve as the approved Premises of your Franchised Business, as we determine appropriate on a case-by-case basis and depending on whether you are (a) converting an Existing Operations to our franchise model or opening a new franchise, or (b) operating your Principal Location or a Depot from the applicable Premises. We will approve your location and designate it in the data sheet attached to your form of Franchise Agreement (the “Data Sheet”). We will approve or disapprove of the site within 30 days after we receive any and all reasonably requested information regarding your proposed site from you. We look at the demographics of your territory, and access to main highways and arteries when evaluating a site. You must acquire an approved Premises within (a) six (6) months of signing your Franchise Agreement if you are securing a new Premises for a Principal Location, or (b) three (3) months if you are securing a new Premises for an additional Depot Location pursuant to our form of Depot Addendum. If we cannot agree on a site, we may extend the time for you to obtain a site, or we may terminate the governing form of Franchise Agreement or Depot Addendum, as applicable, upon written notice.

We expect that a number of new System franchisees will already own an Existing Operations that will be converted to a Franchised Business that operates from a Principal Location. If you wish to convert an Existing Facility to a Franchised Business (which may also include a Depot Location), then we expect that you will have secured the Premises for the Existing Facility as of the date you enter into the applicable form of Franchise Agreement or Depot Addendum for that franchised operations.

It will be your sole responsibility to buildout your site, including purchasing all signs, fixtures, and equipment, we will provide direct assistance in connection with: (i) obtains all Required Software, Approved Vehicle(s), equipment, operating supplies including all designated chemicals and other treatments associated with the provision of the Approved Services; and (ii) determining the necessary modifications to your Existing Facility in order to bring it in compliance with our standards and specifications, which will be made available to you in the Manual and elsewhere as we deem appropriate. Except for the initial inventory of chemicals, tags and ribbons purchased directly from us (See Item 5 and Item 7), you will be solely responsible for arranging all shipping and installation (including all costs in connection with the same). We do not typically own the premises of the Existing Facility and, as such, we do not typically lease the Existing Facility to franchisees. (Sections 1.2 and 7.1 of the Franchise Agreement).

We will also provide you with décor, trade dress and other conversion specifications necessary to (a) open a new Principal Location or Depot Location as a Franchised Business, or (b) adapt any Existing Facility to our then-current System standards and specifications for the design, layout and overall image of a Franchised Business.

Regardless of whether you are a conversion or new Franchised Business, you must obtain the necessary permits and licenses for the build out of your Business and comply with all local ordinances and building codes. Additionally, your location must conform to the standards and specifications described in our Manual(s) or otherwise in writing, including any minimum requirements for the size and layout of your Business.

### C. Time to Open

We estimate that it will take approximately (a) 90 to 120 days to convert an Existing Facility and re-open as a Franchised Business, (b) up to 12 months to establish and open a new Franchised Business from a Principal Location, and (c) up to six (6) months to establish and open an additional Depot Location pursuant to a Depot Addendum.



The actual length of this period will depend upon factors including acceptable financing arrangements, training schedules, delivery schedules for inventory and equipment and other factors including the time necessary to obtain any additional zoning permits, licenses, and variances. Under the Franchise Agreement, we may terminate the franchise rights awarded under your Franchise Agreement or Depot Addendum, as applicable, if you fail to open that Franchised Business within: (a) six (6) months in connection with any conversion of an Existing Facility to a Franchised Business or any franchised Depot Location, or (b) 12 months with respect to a new Franchised Business operating from a Principal Location – unless we agree otherwise in writing (Sections 7.3 and 15.3.5 of the Franchise Agreement).

**D. Post-Opening Assistance.**

Once you open (or convert and Existing Facility) and commence operations of a Franchised Business, we will provide you with the assistance disclosed below:

1. Continuing consultation and advice as we deem necessary and appropriate regarding the management and operation of the Business. We may provide ongoing assistance, in our discretion, by telephone, facsimile, intranet communication and on-site visits. (Section 6.3 of the Franchise Agreement).

2. We may, in our discretion, hold an annual conference or convention at a location to be selected by us (“Annual Conference”). We will determine the topics and agenda for the conference to serve the purposes, of, among other things updating System owners on new developments affecting franchisees, exchanging information between System owners and our personnel regarding Business operations and programs, and recognizing franchisees for their achievements. We may require you to attend the Annual Conference and to pay our then-current registration fee. All expenses, including your and your personnel’s transportation to and from the Annual Conference, lodging, meals, and salaries during the Annual Conference are your sole responsibility. We may use contributions from the Fund for purposes related to the Annual Conference, including costs related to productions, programs, and materials. (Section 6.5 of the Franchise Agreement).

3. We will, as we determine appropriate, offer and provide additional training programs and/or refresher courses to you, your Principal Operator, Plant Manager, Coordinator, Field Representative(s), and/or your employees. We may require your and your employees’ attendance at these programs and/or courses. You must pay for your and your employees’ travel, meal, lodging, as well as any payroll-related, costs/expenses while attending our additional training programs. The additional training programs and refresher courses will be at our then-current tuition rate for ongoing training (currently, \$400 - \$600/day per trainer). (Section 8.3 of the Franchise Agreement).

4. We have the right, but not the obligation, to establish and maintain a toll-free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll-free number, you must comply with our procedures for implementing the nationwide service as we specify in the Operations Manual or otherwise in writing. (Section 6.4 of the Franchise Agreement).

5. We have created and continue to develop additional products and services to be offered by franchisees in operating their Businesses, including the development and creation of Proprietary Processes, certain Proprietary Products, such as laundry and other cleaning chemicals, and Restoration Services, and related goods and services. You must utilize and/or sell all Proprietary Products and Restoration Services we designate for use in connection with the System at your Business.

6. We will maintain relationships with existing National Accounts, as we determine

appropriate in our discretion as disclosed more fully in Item 12 of this Disclosure Document. (Section 1.4 of the Franchise Agreement).

#### **E. Initial Training Program**

1. Below please find a breakdown of the Initial Training Program instruction that must be completed before you and/or certain of your initial Franchised Business personnel can open and commence operations of any Franchised Business, as set forth more fully below under this heading in Item 11:

#### **TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
<b>Principal Operator Training</b>			
Proprietary Software and other Required Software	16.6	8	Online and via Telephone
Pack-out and Delivery Process	12	n/a	Memphis, TN or Another Location We Designate
Inventory and Estimating	4	n/a	Memphis, TN or Another Location We Designate
Restoration Process	4	4	Memphis, TN or Another Location We Designate
Customer Services	4	4	Memphis, TN or Another Location We Designate
<b>Total (Owner/Operating Principal)</b>	<b>40.6</b>	<b>16</b>	
<b>Plant Manager</b>			
Proprietary Software and/or Other Required Software	16	4	Remote Instruction
Pack-Out and Delivery Process	4	16	Memphis, TN or Another Location We Designate
Restoration Process	n/a	16	Memphis, TN or Another Location We Designate
Customer Service	n/a	4	Memphis, TN or Another Location We Designate
<b>Electronics Restoration</b>	8	16	Memphis, TN or Another Location We Designate
<b>Total (Plant Manager)</b>	<b>28</b>	<b>56</b>	
<b>Coordinator</b>			
Required Software	16.6	10	Remote Instruction
<b>Total (Coordinator)</b>	<b>16.6</b>	<b>10</b>	
<b>Account Manager</b>			

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Proprietary Software	10	0	Online and/or via Telephone
Other Required Software and Related Functions	10	6	Online and Weekly Meetings
<b>Total (Account Manager)</b>	<b>20</b>	<b>6</b>	
<b>TOTAL (All Trainees)</b>	<b>105.2</b>	<b>88</b>	

2. Barry Cannon, Tavia Robinson, Meg Lenihan and/or Joel Lyons will serve as our training instructors. Their experience with us and experience in the industry is summarized in the chart below.

Name	Years of Experience in Industry	Years of Experience with Franchisor/Brand
Barry Cannon	40+	18+
Tavia Robinson	12+	6+
Joel Lyons	20+	7+
Meg Lenihan	5+	1

3. You must complete our initial training program at least thirty (30) days before opening any Franchised Business, unless we agree otherwise in connection with a Depot Location. If you have a complete staff that has completed the Initial Training Program as of the date you enter into a Depot Addendum, then we may permit you and/or certain of your existing team to provide certain of the required training in connection with that Depot Location's initial Account Manager and Coordinator.

4. Failure to complete initial training to our satisfaction within the applicable time period may result in termination of the Franchise Agreement. The Principal Operator and Plant Manager may be required to attend training at different times or locations. (Section 8.1 of the Franchise Agreement).

5. The instructional materials used in the initial training consist of our Operations Manual and/or other System manuals (collectively, the "Manuals"), as well as various remote instructional content, template marketing and promotion materials and any other materials we designate and license as part of our then-current System.

6. Initial training (other than any online components) will occur at our corporate headquarters in Memphis, TN, or at any other location we may select (each, a "Corporate Training Location") and/or the premises of your Franchised Business (or Principal Location). (Section 8.1 of the Franchise Agreement). Initial Training is tuition-free for you or your initial staff of required trainees disclosed above under this heading in connection with your Principal Location and, if applicable, any Depot Location.

7. We will train additional or replacement employees you may designate, subject to the availability of our personnel, at our corporate headquarters, at your Business or any other location we may select. Additional training will be held at our then-current Training Fee (currently, \$600/day per trainer) (Sections 8.2 and 8.3 of the Franchise Agreement).

8. All training related expenses for your additional personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are your sole responsibility. You must train your other employees and you may only use the training materials we provide you with to train your other employees. (Section 8.2 of the Franchise Agreement). We will provide updated training materials to you as we develop them. All training materials we provide you with will remain our property, and you agree not to challenge our or our affiliates' title or rights in or to the training materials. You may not make any disclosure, duplication, or other unauthorized use of any portion of the training materials. (Section 8.2 of the Franchise Agreement).

9. We also have the right to require you to attend (a) additional training programs and/or refresher courses for up to five (5) days each calendar year once you have opened and commenced operations ("Additional Training"), and/or (b) remedial training as part of the curative actions to address your material default(s) under your Franchise Agreement or Depot Addendum with regards to the Franchised Business operated thereunder ("Remedial Training"). (Section 8.3 of the Franchise Agreement).

## **F. Advertising and Marketing**

### *Advertising and Marketing Generally*

We do not require that you expend a certain amount on the local advertising of a Franchised Business within its corresponding Designated Territory.

We reserve the right to approve all advertising and marketing materials prior to your use/publication in any manner, and we may require that you acquire any marketing, advertising and/or promotional materials or services that you must acquire from one (1) or more of our Approved Suppliers (or on certain association participation/enrollment). (Section 12.6 of the Franchise Agreement).

You must first obtain our advanced written approval before employing any of the following in connection with restoration services or the Approved Products and Services: (i) any independently created advertising materials; or (ii) any form of co-branding, or advertising with other brands, products or services. Advertisements for non-restoration products and services that do not feature the Proprietary Marks do not require our prior approval.

### *Brand Development Fund; Fund Contribution(s)*

We have established a brand development fund (the "Fund") to promote, advertise, market and otherwise develop the System, Proprietary Marks, Business locations, our franchisees and/or our brand generally, as we determine appropriate in our discretion. As of the Issuance Date, we require you to make a Fund Contribution amounting to two percent (2%) of monthly Gross Sales to the Fund (your "Fund Contribution").

We have the right to use Fund contributions, in our sole discretion, to develop, produce, and distribute national, regional and/or local advertising and to create advertising materials and public relations that promote, in our sole judgment, the services offered by System franchisees. We may use the Fund to satisfy any and all costs of maintaining, administering, directing, preparing, producing, placing and distributing advertising, including the cost of: (i) producing, implementing, and placing television, radio, magazine, and newspaper advertising campaigns; (ii) direct mail and outdoor billboard advertising; (iii) public relations activities and advertising agencies; (iv) the cost of developing and maintaining an Internet website; (v) personnel and other departmental costs for advertising that we internally administer or prepare; (vi) and tradeshow and other expenses. We are not required to spend any amount or portion of the Fund in

your Territory, and accordingly not all System franchisees will benefit directly or on a pro rata basis from Fund expenditures. While we do not anticipate that any part of Fund contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Fund for public relations or recognition of our brand, or for the creation and maintenance of a web site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating “Franchises Available.” (Section 12.4 of the Franchise Agreement).

We may also use Fund Contributions to develop and prepare advertising that we will distribute to System franchisees for their placement in local media outlets. The advertising will be prepared by us and by outside sources. If we do not spend all Fund contributions by the end of each fiscal year, the funds will be carried forward into the next fiscal year. There is no requirement that the Fund be audited. Upon your written request, we will provide you with an unaudited accounting of Fund expenditures. Our affiliate-owned System Businesses may, but are not currently required to, contribute to the Fund. We do not have to contribute to the Fund for any company or affiliate-owned Businesses. You must pay us the Fund Contribution regardless of amounts paid or percentages due from other System Franchisees. (Section 12.4 of the Franchise Agreement).

We have the sole right to determine how to spend contributions to the Fund, or any funds from any other advertising program and the sole authority to determine the selection of the advertising materials and programs; provided, however, that we will make a good faith effort to expend Fund monies in the general best interests of the System on a national or regional basis. We are not required, under the Franchise Agreement, to spend any amount of Fund contributions in your territory, and not all System franchisees will benefit directly or on a pro rata basis from our expenditures. We have the right to reimbursement from the Fund contributions for reasonable costs and overhead, if any, as we may incur in activities which are reasonably related to directing and implementing the Fund and advertising programs for franchisees and the System, including costs of personnel for creating and implementing advertising, promotional and marketing programs. (Section 12.4 of the Franchise Agreement). While we do not anticipate that any part of the Fund will be used for advertising or public relations which is principally a solicitation for the sale of additional franchises, we reserve the right to include a notation in any advertisement indicating “Franchises Available” and to create a franchisees advisory council to provide feedback on the spending of the Fund contributions. We may, but are not obligated to, form a committee that will implement the policies and procedures for the expenditures of the Fund, and we may delegate our obligations relating to the Fund to such a committee. (Section 12.4.1 of the Franchise Agreement).

We have the right to require that an advertising cooperative and/or franchisee advisory council be formed, changed, dissolved or merged. (Section 12.4 of the Franchise Agreement).

For the fiscal year ending December 31, 2022, the Marketing Fund contributions were expended as follows: (i) Insurance Agency Tradeshow – 76.44%; (ii) Advertising Agency Expenses – 26.19%; (iii) Website – 16.17%; and (iv) Dataset Fees – 7.87%.

Please also note that, as of the Issuance Date, there are presently no franchisee advisory councils associated with the Fund or otherwise in connection with the System, but we reserve the right to form such councils in the future to be comprised of multiple System Business owners.

#### Regional Advertising Cooperative

There are currently no regional cooperatives in existence for the System. However, we have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”), and to determine whether a Cooperative is applicable to your

Business. If a Cooperative has been established applicable to the Business at the time you begin operating under the Franchise Agreement, you must immediately become a member of the Cooperative. If a Cooperative applicable to the Business is established at any time during the term of your Franchise Agreement, you must become a member of the Cooperative no later than thirty (30) days after the date on which the Cooperative begins operation. If your Business is within the territory of more than one (1) Cooperative, you must join only one (1) Cooperative of your choosing. (Section 12.5 of the Franchise Agreement). Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by us. (Section 12.5.1 of the Franchise Agreement).

Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising. (Section 12.5.2 of the Franchise Agreement). No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. All plans and materials will be submitted to us in accordance with the procedure in Section 12.1 of the Franchise Agreement. (Section 12.5.3 of the Franchise Agreement). All activities and decisions of the Cooperative shall be determined by a majority vote of the member owner(s) in the Cooperative; however, the Cooperative will ultimately be administered by us and we will have final authority to approve or deny any action or decision of the Cooperative. (Section 12.5.4 of the Franchise Agreement). Each member Franchisee must submit to the Cooperative, no later than the fifth (5<sup>th</sup>) of each month, its respective contribution for the preceding month as provided in the Franchise Agreement together with any other statements or reports as we may require or as may be required by the Cooperative with our approval. (Section 12.5.5 of the Franchise Agreement). There is no requirement that any Cooperatives be audited. Upon your written request, we will provide you with an unaudited accounting of Cooperative expenditures. We are not required to contribute to any Cooperative for any company or affiliate-owned Businesses. If a Cooperative is formed and governing documents are created, they will be made available to you upon request.

#### **F. Computer System and Related Disclosures**

You must purchase or lease computer equipment and software according to our standards and specifications. You must have a laptop computer for your Account Manager and an iPhone for your Field Representative(s) and Account Manager. You must also have at least three (3) desktop personal computers for the coordinator, for printing inventory tags, and for inventory tracking. Additionally, you will need one (1) copier/printer/fax for the coordinator, two (2) specialty printers for printing certain tags and labels, and at least one mobile device for inventory control and a handheld barcode scanner. You must also purchase rights or access to all Required Software we require and designate in the Manuals or otherwise in writing and execute the form of Software Sublicense Agreement attached to the Franchise Agreement as Exhibit F. If you are operating multiple Franchised Business(es) that include any Depot Locations, then our current Approved Supplier for certain Required Software may allow you to use the Proprietary Software (and certain Required Software) at any Depot Locations related to the Primary Location via the license you have in connection with your initial, Principal Location.

We estimate that the cost of obtaining the required computer system will be range from (a) \$5,800 to \$19,500 for your initial Franchised Business in a given region, and (b) \$4,500 to \$14,800 for a Franchised Business that will serve as a “Depot” location. We estimate that the costs of any optional or required maintenance, updating, or support contracts will be \$510/month (in connection with our current Required Software).

We have the right to require you to enter into a separate maintenance agreement for the computer hardware and/or software. Notwithstanding the fact that you must buy, use and maintain the computer hardware and

software under our standards and specifications, you will have the sole and complete responsibility for: (i) the acquisition, operation, maintenance, and upgrading of the computer hardware and software; and (ii) any and all consequences that may arise if the computer hardware or software is not properly operated, maintained, or upgraded. (Section 7.8 of the Franchise Agreement).

We may require that you afford us independent and electronic access to the data and other Franchised Business performance-related information via the Computer System hardware and/or any Required Software. There is no contractual limitation, with respect to either frequency or cost, on our right to require you to maintain, upgrade, or update the computer systems. All information stored and/or accessed by any software is our exclusive property any data that you view or otherwise accesses through any software designated by us shall be deemed Confidential Information pursuant to the terms of the Franchise Agreement. (Section 7.8.1 of the Franchise Agreement). We reserve the right to have independent access to any data you collect electronically via such computer hardware and software.

You must install, at your expense, the necessary computer hardware and software to provide us with full and direct electronic access to all of your data, software systems, and related information. (Section 10 of the Franchise Agreement).

#### **G. Internet; Websites; System Sites for System Owner Access**

We may provide you with a listing on our web page ([www.lyonsrestores.com](http://www.lyonsrestores.com)) for the promotion of your Business. Other than the listing on our webpage that we will provide to you, you are not permitted to maintain an individual website related to the Business, or to establish a URL incorporating any variation of the Proprietary Marks or salient portion thereof (*i.e.*, the name or term “Evans” and/or “Lyons” or the term “Restores”), without our prior written approval. We do not allow you to advertise on the Internet without our prior written approval in accordance with the advertising requirements above, including any profile on Facebook, MySpace, Twitter, LinkedIn, YouTube or any other social media and/or networking site. Our designated vendor for website setup and maintenance, and well as the fee for those services, are subject to change from time to time.

You must participate in any System-wide area computer network, intranet system or extranet system that we implement and may be required by us to use any area computer network, intranet system or extranet system to, among other things: (i) submit your reports due under the Franchise Agreement to us on-line; (ii) view and print portions of the Operations Manual or any other manuals (collectively, the “Manuals”); (iii) download approved local advertising materials; (iv) communicate with us and other System owners; and (v) complete initial and ongoing training. You must use the facilities of the area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in our then-current Manual(s).

### **ITEM 12** **TERRITORY**

#### **Approved Location**

You will operate your Business from a location that we approve (“Approved Location”) and will be identified on the Data Sheet of your Franchise Agreement. You may establish the Business at the Existing Facility. You may relocate the Business only with our prior written approval, which we will not unreasonably withhold, provided that the proposed new location meets our then-current criteria for a Business.

### Territory Awarded in Connection with Principal/Depot Location

The Approved Location will be contained within a designated territory (the “Territory”), as identified in the Data Sheet of the Franchise Agreement.

Within your Territory, you will have the exclusive right to solicit insurance adjusters, insurance agents, and general contractors of re-construction services, content cleaning companies and third-party administrators (the “Customers”) for the Restoration Services offered by your Franchised Business. You may market to and/or solicit insurance providers located outside of the Territory, provided that the insurance providers’ customers are located within the Territory. Except as provided below, you may not solicit any residential Customers located outside of your Territory. You may only service Customers located outside of your Territory if you obtain our prior written permission. Under certain conditions, as described in the Operations Manuals, you may provide services to Customers who reside outside of the Territory; provided, however, that you must participate in our then-current revenue sharing program if such services are performed in another System owner’s awarded Territory. All sales and other activities conducted within or outside the Territory must be conducted in accordance with the terms of the Franchise Agreement and our operating methods, standards and specifications as set forth in the Operations Manual.

You will be granted an exclusive territory in connection with the franchise granted by the Franchise Agreement in your Territory. We will typically award a Territory that either (a) is comprised of the geographical radius around your Approved Location that is between 150 and 200 miles, or (b) contains a population, regardless of its boundaries, amounting to around 1,000,000.

Each Territory we award in connection with a given Franchised business will be determined on an individual basis dependent upon geographic location, population, and the size and capacity of your Existing Facility. Your Territory will be designated in your Franchise Agreement or otherwise in writing by Franchisor either (a) upon execution of your Franchise Agreement (if you have an Existing Facility or otherwise previously-approved site by us), or (b) once you secure your Approved Location in connection with any Depot Location you choose to operate from a third-party premises you secure in accordance with the site proposal and approval process disclosed more fully in Item 8 of this Disclosure Document.

You will only be permitted to provide services to customers residing in the Territory, provided, however, that under certain conditions, as set forth in the Operations Manuals (as defined in Section 6.1 of the Franchise Agreement), you may provide services to customers who reside outside of your Territory; provided, however, that you must participate in our then-current revenue sharing program if such services are performed in that System owner’s Territory. All sales and other activities conducted within or outside the Territory must be conducted in accordance with the terms of this Agreement and Franchisor’s operating methods, standards and specifications as set forth in the Operations Manual.

Subject to the reserved rights disclosed below in this Item, we will not open or operate, or license any third party the right to open or operate, another System Business operating utilizing the Proprietary Marks from a physical location within your Territory (the “Territorial Rights”). Except for the Territorial Rights, you will not receive any exclusive rights within your Territory. For this reason, we must include the following disclosure: You will not receive an “exclusive” territory. You may face competition from us and/or other System franchisee within your Territory.

We will not modify the geographical boundaries of your Territory, once we designate the same, except by mutual agreement of the parties.



### Franchisee Rights Within and Outside Territory

As noted above, we will not locate (or grant any license to locate) another System Business within your Territory. You must and may actively market and promote your Franchised Business within its corresponding Territory in accordance with our System standards, specifications and approval process.

We may permit you and other System franchisees to promote and market their respective Businesses outside of their Designated Territories, as we determine appropriate, as we set forth in our then-current Manual(s) or otherwise authorize in writing. We may condition our authorization upon your agreement to offer other franchisees, who are operating Businesses in territories encompassed by the circulation base of the proposed advertising, the opportunity to participate in, and share the expense of, such solicitation and/or advertising. You may not advertise your Franchised Business or any products or services offered by the Franchised Business via the Internet or any other means of e-commerce, except as permitted in our then-current System standards, specifications and approval process.

We have the right to conduct advertising to promote the Proprietary Marks, Approved Services/Products and brand generally within the Territory and any other territory we award to System Business locations, as well as the other reserved rights disclosed below.

### Reserved Rights

Under the Franchise Agreement, we retain the right to: (i) own and operate Franchised Businesses at any location(s) outside your Territory, under the Proprietary Marks, or to license others the right to own and operate Franchised Businesses at any location(s) outside your Territory under the Proprietary Marks and System; (ii) own and operate Franchised Businesses under different marks at any location(s) inside or outside of your Territory, or license to others the right to own and operate Businesses under different marks at any location(s) inside or outside of your Territory; (iii) use the Proprietary Marks and System in connection with selling services and products, promotional and marketing efforts, or related items, in alternative channels of distribution, such as in wholesale stores and via direct marketing such as the Internet, telemarketing or mail order catalogs, without regard to location; (iv) use the Proprietary Marks to conduct marketing and promotional efforts inside of your Territory on behalf of the System; (v) negotiate and enter into National Accounts; and (vi) use the Proprietary Marks and System and license others to use the Proprietary Marks and System to engage in any other activities not expressly prohibited in the Franchise Agreement.

### *Alternative Channels of Distribution*

Certain products or services from our affiliates, whether currently existing, in research and development, or developed in the future, may be distributed in your Territory by us or our affiliates, franchisees or designees, in the manner and through any channels of distribution as we, in our sole discretion, will determine. Goods to be provided through alternative channels of distribution may include cleaning chemicals, machines, and other related products. Alternative channels of distribution include, but are not limited to, sales of any products offered hereunder under the Proprietary Marks at or through retail or wholesale stores, over the Internet, and in mail order catalogues. The Franchise Agreement grants you no rights: (i) to distribute the services as described in this paragraph; or (ii) to share in any of the proceeds from our activities through alternate channels of distribution.

### *National Accounts*

We have the exclusive right, unless otherwise specifically delegated in writing, on behalf of us, you, and/or other franchisees utilizing the Proprietary Marks, to negotiate and enter into agreements or approve forms of agreement to provide services to “National Account” customers. These National Account customers can be national or regional insurance companies, third party administrators, or restoration or mitigation contractors. This term can also include any customer which on its own behalf or through agents, licensees, or other third parties owns, manages, controls or otherwise has responsibility for a business in more than one (1) location. Any dispute as to whether a particular customer is a National Account shall be determined by us in our sole discretion and our determination shall be final and binding. We reserve the right to modify such a determination in the event a particular customer expands or otherwise changes the scope of its operations, and we will notify you in writing of any such modification.

For the purposes of this Disclosure Document, all work you perform for National Account customers shall be referred to as “Program Work”. So long as you are in substantial compliance with the terms of this Agreement and any other agreements between yourself and us, you may perform Program Work pursuant to the terms and conditions of the National Account contract or on such terms and conditions as we in our discretion determine are appropriate. If you fail to make an election within the time we specify after being offered the opportunity, then we shall have the right, exercisable in our sole discretion, to (i) provide, directly or through any affiliate or other licensee, services to the National Account customer; and/or (ii) contract with another party to provide such services to the National Account customer.

#### Additional Required Disclosures

Other than as described in this Disclosure Document, neither we nor any of our affiliates currently plan to operate or franchise businesses under a different Mark that will sell goods or offer services similar to the Approved Services.

The Franchise Agreement does not grant you options, rights of first refusal, or similar rights to acquire additional Businesses within your Territory or any contiguous territories. We will award such additional franchise rights, whether in connection with a Principal Location or Depot Location, pursuant to our then-current Disclosure Document and subject to our then-current form of franchise agreement.

### **ITEM 13** **TRADEMARKS**



You will have the limited right to use the Proprietary Marks we designate to operate your Business. As of the Issue Date, we are the owner of all rights, title and interest in the federal registrations or applications, as applicable, that are (a) currently registered or otherwise on file with the United States Patent and Trademark Office (“USPTO”), and (b) used to principally identify the Franchised Business offered in this Disclosure Document:

<b>MARK</b>	<b>REGISTRATION NUMBER</b>	<b>REGISTRATION DATE</b>	<b>REGISTER</b>
Evans (stylized text)®	2,822,891	March 16, 2004	Principal

We have filed, and will continue to file as and when they become due, all affidavits with the USPTO in connection with the above Proprietary Mark.

We are also the owner of the following Proprietary Marks that our existing System Businesses commenced using in late 2022 or early 2023 in connection with their respective operations, which are currently pending

registration with the USPTO as set forth below:

MARK	APP. SERIAL NUMBER	APPLICATION DATE	REGISTER
Lyons Restores™	97/789015	February 9, 2023	Principal
	97/810081	February 24, 2023	Principal
	98/160916	September 1, 2023	Principal

We do not yet have a federal registration for the three (3) marks in the Chart immediately above, all of which are pending registration with the USPTO. Therefore, these three (3) marks do not have many legal benefits and rights as a federally registered trademark (such as our Registered Mark). If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

With that said, there are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the above-described Proprietary Mark or any of the other Proprietary Marks that are relevant to your use.

We do not have any agreements currently in effect that significantly limit our rights within the United States, to use or license the use of the above-mentioned Proprietary Marks in any manner material to the System. We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state; however, a federal trademark registration does not necessarily protect the use of the concerned mark against a prior user in a given relevant market area. Therefore, before entering into the Franchise Agreement, you should make every effort to ascertain that there are no existing uses of the Proprietary Marks or confusingly similar marks being used in the market area where you wish to do business. You should immediately notify us of any confusingly similar marks you discover.

You may use only the Proprietary Marks that we designate, and may use them only in the manner we authorize and permit. If you are operating an Existing Business prior to opening your Franchised Business, we may permit you to continue utilizing the Existing Business' trademarks and trade names so long as you use Proprietary Marks in connection with the Existing Business as we designate. Any goodwill associated with Proprietary Marks, including any goodwill that might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Proprietary Marks only for the operation of the Business and only at the Approved Location or in advertising for the Business. You will use all

Proprietary Marks without prefix or suffix and in conjunction with the symbols “SM,” “TM,” “S” or “R,” as applicable.

You may not use the Proprietary Marks in connection with the offer or sale of any services or products that we have not authorized for use in connection with the System. You may not use the Proprietary Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials “D/B/A” and the Proprietary Mark we designate or approve in writing. You must promptly register at the office of the county in which your Business is located, or any other public office as provided for by the laws of the state in which your Business is located, as doing business under your assumed business name.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including the right to settle the proceedings or litigation. We have the exclusive right, but not the obligation, to affirmatively prosecute actions against third parties for infringement or threatened infringement of the Proprietary Marks.

We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must pay for the defense or reimburse us for costs we incur in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Marks, you must sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. We will reimburse you for your out-of-pocket costs in assisting us in defending an action relating to the Proprietary Marks, unless the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of any agreement(s) you sign with us.

We are the lawful owner of the domain names [www.lyonsrestores.com](http://www.lyonsrestores.com) and [www.evansgr.com](http://www.evansgr.com). You cannot register any of the Proprietary Marks now or in the future owned by us or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue use of a website using the Proprietary Marks. Except as we may authorize in writing in advance, however, you cannot: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; or (iii) create or register any Internet domain name in connection with your Franchised Business.

All advertising and marketing materials must prominently display the Proprietary Mark, which may only be displayed (on any prior, current or future advertising) in the then-current form(s) and/or format(s) – as applicable – that we set forth in the Manuals or otherwise in writing. All advertising is subject to our prior written approval, which we will not unreasonably withhold provided (a) you are in compliance with all other advertising/marketing requirements under your Franchised Agreement, and (b) the advertising is consistent with our System standards and/or specifications, including those related to the display of the Proprietary Marks. We will always have or reserve the right to review, evaluate and approve/reject all signs, stationery, business cards, forms, and other materials and supplies bearing the Proprietary Marks and/or that are used in connection with the promotion of the Franchised Business.

You may and must only use the Proprietary Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, decorations, furnishings, equipment or other materials employing the Proprietary Marks, or related marks, before first publication or use. You must identify yourself as the owner of the Business (in the manner we prescribe) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, and business stationery, or any conspicuous locations as we may designate in writing at the Business premises.

We reserve the right to substitute different proprietary marks for use in identifying the System and any Businesses operating under the System. You must discontinue using all Proprietary Marks in which we have notified you, in writing, have been modified or discontinued within ten (10) days of receiving written notice and must promptly begin using additional, modified or substituted Proprietary Marks at your expense.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We do not own any registered patents or pending patent applications that are material to the franchise. We do not own or license any registered copyrights that are material to the System. We do, however, claim common law copyright and trade secret protection for several aspects of the System including, without limitation, our Manual, certain forms, advertisements, promotional materials, training materials, advertising, business materials and other Confidential Information as defined below.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of any unauthorized use. We may revise our System and any of our copyrighted materials in our discretion and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials. If we decide to add, modify, or discontinue the use of an item or process covered by a patent or a copyright, you must also do so. We have no obligation to provide you with compensation in connection with any such alterations.

During the term of the Franchise Agreement, you will receive information which we consider trade secret and confidential information. You may not, during the term of the Franchise Agreement or after its termination or expiration, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company, any trade secrets, standards and specifications for the Business, information regarding the Proprietary Processes or Proprietary Products, guidelines for hiring, training, retaining, promoting and supporting the Business's personnel, information regarding System suppliers, Franchisor's Proprietary Processes, all data accessed through software, including without limitation Evans DASH Software and such other designated programs, our copyrighted materials, our Operations Manual, our business and advertising materials, and any other goods or services offered or authorized for sale by System franchisees, and all other methods and other techniques and know-how concerning the operation of the Business which may be communicated to you or of which you may be apprised by virtue of your operation of the Business ("Confidential Information"). You further acknowledge and agree that any personally identifiable information, such as information that can be used to uniquely identify, contact, or locate an individual, either alone or in conjunction with other sources, including without limitation a customer's name, Social Security number, driver's license number, date of birth, place of birth, and other personal information will be deemed Confidential Information for purposes of the Franchise Agreement. You may divulge Confidential Information only to your employees who must

have access to it to perform their employment obligations. You must require your Principal Operator, Account Manager, Plant Manager, Coordinator and any personnel having access to any of our Confidential Information to sign an agreement stating that they will maintain the confidentiality of information they receive in connection with their employment and restricting their right to work for a competitor while they are employed by you. All employees with access to personally identifiable information, including without limitation, field representatives, Account Manager(s), Plant Manager, Coordinator(s), staff that will be on-site at a customer/client premises, and accounting staff, must undergo an annual background screening, the parameters of which can be found in our Operations Manual and which will be completed at your expense. Your agreement, which will be in a form that is substantially similar to the form attached to the Franchise Agreement as Exhibit C, will identify us as a third-party beneficiary to the agreement and will give us independent enforcement rights.

The Franchise Agreement provides that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the Business, you will promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights, and other intellectual property rights related to any new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify any new concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any new concept, process or improvement in any and all countries and further agree to sign and provide us with all necessary documentation for obtaining and enforcing our rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to sign and file any documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any new concept, process or improvement. In the event that any provision of the Franchise Agreement relating to new concepts is found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense to use the concept, process or improvement if the use or sublicense would, absent the relevant agreements, directly or indirectly infringe on your rights to the new concepts.

#### **ITEM 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You (or a Principal Operator if you are a corporation, partnership or limited liability company) must personally supervise the day-to-day operations of any Business you operate. You must devote your personal full-time attention and best efforts to the management and operation of your Business.

Your Franchised Business (Principal Location or Depot Location) must employ a Plant Manager, Account Manager and Coordinator at all times. You (or a Principal Operator if you are a corporation, partnership or limited liability company) may, however, serve as the Plant Manager and/or Account Manager. If you choose not to serve as the Plant Manager, you may delegate the day-to-day operation of your Business to a Plant Manager approved by us. Regardless of which of these roles and responsibilities is delegated to an approved third party (Coordinator, Account Manager and/or Plant Manager), you must have a designated Account Manager, Plant Manager and Coordinator for your Business at all times. Your Plant Manager must successfully complete our initial training program before assuming any managerial responsibility, and your Coordinator must complete the online module of our initial training program prior to carrying out the responsibilities of a Coordinator. You will require an Account Manager to conduct full-time attention to the promotion of and generation of leads for the Business. This Account Manager will be responsible for

recruiting and corresponding with prospective customers, and providing such other marketing and advertising services as you may require. Your Business must, at all times, have as a member of its staff at least one (1) Plant Manager and Coordinator who each has successfully completed the applicable portions of Franchisor's initial training program; provided, however, that there does not have to be a trained individual on-site in your Business during all hours of operation. In the event that you operate more than one (1) Business, you may have a properly trained Plant Manager serve as the Plant Manager at multiple Businesses, so long as they are all operated by you. You will keep us informed at all times of the identity of any employees acting as Plant Manager, Account Manager and Coordinator of a Business, and any change in their employment status. Neither the Account Manager, Plant Manager, Coordinator nor any other on-premises supervisor is required to have an equity interest in your Franchised Business.

In the event that an Account Manager, Plant Manager or Coordinator resigns or is otherwise terminated, you must hire a replacement approved by us who meets our then-current standards for Account Managers, Plant Managers or Coordinators (as applicable) within thirty (30) days after the resignation or termination of the former employee. The new hire must complete the applicable portions of our initial training program to our satisfaction within sixty (60) days after being hired, subject to the availability of our personnel. Your Plant Manager, Account Manager and Coordinator will each devote his or her full-time and best efforts to the day-to-day operation and management of the Business and will not engage in any other business activity without our prior written consent. You, your officers, directors, Account Manager, Plant Manager, Coordinator and their respective spouses will be bound by the confidentiality and non-compete covenants of the Franchise Agreement and will sign the Confidentiality and Restrictive Covenant Agreement attached as Exhibit C to the Franchise Agreement.

You and your spouse (or if you are a corporation, each of your shareholders and their spouses; or if you are a partnership, each of your general partners and their spouses; or, if you are a limited liability company, each of your members/managers and their spouses) must sign a Personal Guaranty attached as Exhibit A to the Franchise Agreement. A personal guaranty is a legal promise by you and your spouse to fulfill all of the obligations under the Franchise Agreement(s).

## **ITEM 16**

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

You must offer and sell all of the services that we require and only the services that we authorize for the System. You will not offer to sell or provide at or through your Business(s) any merchandise, products or services that we have not approved in writing or use the Approved Location for any other purpose other than the operation of the Business; provided, however, that such restriction will not apply to any products or services offered by franchisees at their Existing Facility. You may not use nor sell any restoration products or services, equipment, supplies, paper goods, uniforms, fixtures, furnishings, signs, or equipment that do not meet our standards and specifications.

Your grant of a franchise to operate a Business does not include: (i) any right to offer any services via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof; or (iii) any right to distribute, market, or implement our products or services, including Proprietary Products, in any channel of distribution not specifically identified in the relevant agreements.

You must offer and provide the Approved Services and Approved Products in accordance with our standards and specifications. We have the right to require you to offer and sell additional goods or services as we may designate. There are no limits on our right to do so. You are not allowed to solicit customers

outside of your Territory without our prior written approval, however, except as set forth in this Franchise Disclosure Document, there are no other restrictions regarding customers to whom you may sell goods and services. You will at all times maintain sufficient levels of inventory to adequately satisfy consumer demand. You must stop using or offering disapproved services or products immediately upon notice that certain services or products have been discontinued. If the law prohibits the use or sale of any product or service, you must cease using it immediately.

## **ITEM 17**

### **RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

#### **THE FRANCHISE RELATIONSHIP**

**The table on the following page lists certain important provisions of the Franchise Agreement, Depot Addendum and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

**A. Principal Location (Franchise Agreement)**

	Provision	Section in Franchise Agreement	Summary
a.	Length of the Franchise Term	Section 2.1 in the Franchise Agreement	Initial term of five (5) years from the date your Franchise Agreement is signed.
b.	Renewal or extension of the term	Section 2.2 in the Franchise Agreement	You have the right to renew the Franchise Agreement for two (2) successive, additional 5-year periods provided certain conditions are met.
c.	Requirements for franchisee to renew or extend	Section 2.2 in the Franchise Agreement	You timely notify us in writing of your intention to renew; you have the right to operate the Business at the Approved Location for the duration of the renewal term or have secured an approved substitute location; you have satisfactorily completed, no later than ninety (90) days before the expiration of the then-current term, all necessary maintenance, refurbishing, renovating, updating and remodeling of the Approved Location to bring the Business and all equipment into full compliance with our then-current System standards and specifications; you are not in breach of any provision of the Franchise Agreement, or any other agreement between you and us, our affiliates, and/or our major suppliers and vendors, and you have substantially complied with all agreements during their respective terms; you have satisfied all monetary obligations you owe us, our affiliates, and/or our major suppliers and vendors; you sign our then-current form of Franchise Agreement, which may contain materially different key terms, including changes in royalty and advertising fees, and grounds for termination; you satisfy our then-current training requirements; you provide proof of compliance with our then-current insurance requirements; you pay a renewal fee of \$5,000; and you sign a general release.
d.	Termination by franchisee	Not Applicable	Not Applicable.
e.		Not Applicable	Not Applicable.



	Provision	Section in Franchise Agreement	Summary
	Termination by franchisor without cause		
f.	Termination by franchisor with cause	Section 15 in the Franchise Agreement	We have the right to terminate the Franchise Agreement with cause.
g.	Cause defined – curable defaults	<p>Section 15.3 in the Franchise Agreement</p> <p>Section 15.4 in the Franchise Agreement</p>	<p>We have the right to terminate the Franchise Agreement after providing you a fifteen (15) day cure period if: (i) you fail to pay any monies you owe us or our affiliates, suppliers or vendors; (ii) any audit reveals that you have designated Gross as Other Revenue or non-program revenue, or otherwise understated your Royalty Fee or any other payments by more than two percent (2%), or if you have failed to submit timely reports and/or remittances for any two (2) reporting periods within any twelve (12) month period; (iii) you fail to immediately endorse and deliver to us any payments due to us from any third party that is erroneously made to you; (iv) you fail to maintain sufficient inventory levels; (v) you fail to open the Franchised Business for business within six (6) months from the date you sign the Franchise Agreement; (vi) you fail to operate the Business during the months, days and hours that we prescribe; (vii) you fail to maintain our quality controls and standards; or (viii) you conduct yourself in a manner that reflects adversely on the System, the Proprietary Marks, or our products.</p> <p>We have the right to terminate the Franchise Agreement after providing you a 30-day cure period if you: (i) fail to personally supervise business operations or employ adequate personnel; (ii) fail to procure or maintain any licenses, certifications, or permits necessary for the operation of the Franchised Business; (iii) fail to comply with any governmental notice of non-compliance with any law or regulation; or (iv) fail to perform or comply with any one (1) or more of the terms or conditions of the Franchise Agreement or ancillary agreements.</p>

	Provision	Section in Franchise Agreement	Summary
h.	Cause defined – non-curable defaults	<p>Section 15.1 in the Franchise Agreement</p> <p>Section 15.2 in the Franchise Agreement</p>	<p>The Franchise Agreement will automatically terminate without notice or an opportunity to cure if: (i) you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or allow the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or allow the appointment of a trustee or receiver for you or the Franchised Business; (ii) proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for you or the Franchised Business without your consent, and the appointment is not vacated within sixty (60) days; (iii) you purport to sell, transfer or otherwise dispose of your interest in the Franchised Business without our written approval.</p> <p>We have the right to terminate the Franchise Agreement with notice but without providing you an opportunity to cure if: (i) you take part in criminal acts or misconduct; (ii) you commit fraud in the operation of the Business; (iii) you make any misrepresentations in connection with the franchise application; (iv) you fail to complete our initial training program; (v) you receive three (3) or more written notices of default within any six (6) month period; (vi) you materially breach any other agreement with us or our affiliates; (vii) you misuse the Proprietary Marks or Confidential Information; (viii) you violate any health, safety, environmental or sanitation law; (ix) you violate the in-term restrictive covenants of the Franchise Agreement; (x) a lien or writ of attachment or execution is placed against you and is not released or bonded against within thirty (30) days; (xi) you are insolvent; (xii) you abandon the Business; (xiii) you offer any unauthorized or unapproved products or services in connection with the operation of your Business; (xiv) you order or purchase supplies from unapproved suppliers; (xv) you misuse any proprietary or designated software or any area computer network, intranet system, or extranet system we may establish; (xvi) you fail to maintain the required insurance; (xvii) any governmental action is taken against you that results in any obligation upon us; (xviii) you fail to comply with any laws or regulations regarding terrorism; (xix) you take any assets or property of the Franchised Business for your personal use; or (xx) you have insufficient funds in your bank account two (2) or more times in a twelve (12) month period.</p>
i.	Franchisee's obligations on termination/non-renewal	Section 16.1 in the Franchise Agreement	<p>Upon termination or expiration of the Franchise Agreement, you must: (i) cease all operations under the Franchise Agreement; (ii) promptly pay all sums you owe us, our affiliates, and our suppliers; (iii) cease using the Proprietary Marks; (iv) return to us the Operations Manual, any proprietary materials or information, including any proprietary Required Software, equipment and/or any other software that we may now or in the future designate, customer and supplier information, other Proprietary Materials and any and all other Confidential Information that we have provided and immediately cease use of such information and materials; (v) return to us all items reflecting the Proprietary Marks; (vi) cease holding yourself out as our franchisee; (vii) take necessary action to amend or cancel any business name or equivalent registration that contains our trade name or Proprietary Marks and provide proof of such compliance within thirty (30) days after termination; (viii)</p>

	Provision	Section in Franchise Agreement	Summary
			allow us to inspect your financial records within six (6) months of termination; (ix) comply with the post-term covenants contained in the Franchise Agreement; (x) provide us with access to all data regarding current Jobs, customers and access to the existing facility to allow us to complete Jobs related to customer garments in your possession; (xi) cease to use in advertising or in any other manner any methods, procedures or techniques associated with us or the System; and (xii) sign periodically any papers, documents, and assurances necessary to effectuate termination or nonrenewal.
j.	Assignment of contract by us	Section 14.5 in the Franchise Agreement	We have the right to assign our rights under the Franchise Agreement.
k.	"Transfer" by you - definition	Section 14.3 in the Franchise Agreement	A sale, transfer or assignment requiring our prior written consent occurs: (i) if you attempt to sell, transfer, assign, or encumber any portion of the Business or any interest in the Franchise Agreement or the Business; (ii) if you are a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of your voting stock, or any increase in the number of outstanding shares of your voting stock, which results in a change in ownership; (iii) if you are a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iv) if you are a limited liability company, upon any assignment, sale, pledge or transfer of any interest in the limited liability company. Any new franchisee entity will be required to personally guarantee your obligations under the Franchise Agreement.
l.	Our approval of transfer by franchisee	Section 14.1 in the Franchise Agreement	You may not transfer any rights in the Business without our prior written consent. We have the right to condition our approval of any sale, transfer, assignment or encumbrance as described below. You may not transfer any rights in a Depot to any entity that does not already operate a Franchised Business in an adjacent territory
m.	Conditions for our approval of transfer	Section 14.3.2 in the Franchise Agreement	Our approval of a proposed transfer is conditioned upon you and/or your transferee meeting all of the following conditions, as applicable: (i) all of your accrued monetary obligations to us, our affiliates and/or suppliers have been paid; (ii) all existing defaults under the Franchise Agreement have been cured; (iii) you sign a general release in favor of us and our affiliates; (iv) you provide us a copy of the signed purchase agreement; (v) the transferee meets our qualifications; (vi) the transferee signs our then-current Franchise Agreement; (vii) you or the transferee pay us a transfer fee of \$10,000; (viii) the transferee satisfactorily completes our training program; (ix) you comply with the post-term provisions of the Franchise Agreement; (x) the transferee obtains all necessary licenses and permits necessary to operate the Franchised Business; (xi) as required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer; (xii) the transfer is made in compliance with all applicable laws; (xiii) the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its Franchise Agreement; (xiv) you must request that we provide the prospective transferee with our then-current form of disclosure document and we will not be liable for any representations not included in the disclosure document; (xv) our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party; (xvi) we will have the right to disclose to any prospective transferee revenue reports and other financial information concerning you and the Franchised Business as you have

	Provision	Section in Franchise Agreement	Summary
			supplied us; and (xvii) we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.
n.	Our right of first refusal to acquire your business	Section 14.3.1 in the Franchise Agreement	You must first offer to sell to us on the same terms and conditions as those offered by a third party. We will notify you, within thirty (30) days after receiving the terms offered by the third party, whether we wish to exercise our right to purchase your business.
o.	Our option to purchase your business	Not Applicable	Not Applicable (as part of our standard franchise offering).
p.	Your death or disability	Section 14.2 in the Franchise Agreement	Upon your death or disability, your rights under the Franchise Agreement may pass to your heirs or legatees, provided that: (i) within forty-five (45) days of your death or disability, they obtain prior written approval from us and execute our then-current Franchise Agreement for the unexpired term or furnish a personal guaranty of any entity guaranteeing your obligations to us; and (ii) they successfully complete our initial training program.
q.	Non-competition covenants during the term of the franchise	Section 17.1 in the Franchise Agreement	During the term of the Franchise Agreement, neither you, your officers, directors, principals, or key employees (including, without limitation, your Account Manager, Plant Manager and Coordinator), nor any members of your immediate family or the immediate family of your officers, directors, principals or key employees may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (i) own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business offering or licensing a business offering emergency restoration dry cleaning and related restoration services for residential or commercial losses ("Competitive Business"); or (ii) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.
r.	Non-competition covenants after the franchise is terminated or expires	Section 17.2 in the Franchise Agreement	<p>For a period of three (3) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, principals, nor any members of your immediate family or the immediate family of such persons may, directly or indirectly, enter into any business competing in whole or in part with us in granting franchises or licenses to operate a Competitive Business at the time the Franchise Agreement is terminated or otherwise expires and is not renewed.</p> <p>For a period of three (3) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, principals, nor any members of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (i) own, maintain, engage in, be employed as an officer, director, principal or executive of, or have any interest in any business competing in whole or in part with us in granting franchises or licenses to operate a Competitive Business at the time the Franchise Agreement is terminated or otherwise expires and is not renewed, (a) at the Approved Location, (b) within the Territory, or (c) within a radius of 25 miles of the perimeter of (1) your Territory (2) any other territory licensed by us as of the date of expiration or termination of the Franchise Agreement; (ii) solicit business from customers to whom you provided the Restoration Services of your</p>

	Provision	Section in Franchise Agreement	Summary
			Business; or (iii) contact any of our suppliers or vendors for any competitive business purpose.
s.	Modification of the Franchise Agreement	Section 22.1 in the Franchise Agreement	The Franchise Agreement may not be modified except by a written document signed by both parties.
t.	Integration/merger clauses	Section 22.1 in the Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside of the Franchise Disclosure Document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 18.2 and 18.3 in the Franchise Agreement	You must bring all disputes before our President and/or Chief Executive Officer prior to bringing a claim before a third party. After exhausting this internal dispute resolution procedure, at our option, all claims or disputes between you and us must be submitted first to mediation in Memphis, Tennessee in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect.
v.	Choice of forum	Section 18.4 in the Franchise Agreement	Subject to applicable state law, all claims not subject to mediation must be brought before a court of general jurisdiction in Memphis, Tennessee or the United States District Court for the Western District of Tennessee. You consent to the personal jurisdiction and venue of any court of general jurisdiction in Memphis, Tennessee and the United States District Court for the Western District of Tennessee.  (subject to state law)
w.	Choice of law	Section 18.1 in the Franchise Agreement	Subject to applicable state law, the Franchise Agreement is governed by the laws of the state of Tennessee.  (subject to state law)

B. Depot Addendum (Depot Addendum)

	Provision	Section in Franchise Agreement	Summary
a.	Length of the Franchise Term	Section 2	Initial term amounting to the lesser of: (i) five (5) years from the date your Franchise Agreement is signed; and (ii) the date your Franchise Agreement for the Principal Location expires or is terminated.
b.	Renewal or extension of the term	Section 3	You have the right to renew the Franchise Agreement for two (2) successive, additional 5-year periods after the initial term detailed above, provided certain conditions are met.
c.	Requirements for franchisee to renew or extend	Section 3	
d.	Termination by franchisee	Not Applicable	Not Applicable.
e.	Termination by franchisor without cause	Not Applicable	Not Applicable.
f.	Termination by franchisor with cause	Section 15	We have the right to terminate the Franchise Agreement with cause.
g.	Cause defined – curable defaults	Section 15	We have the right to terminate the Franchise Agreement after providing you a fifteen (15) day cure period if: (i) you fail to pay any monies you owe us or our affiliates, suppliers or vendors; (ii) any audit reveals that you have designated Gross as Other Revenue or non-program revenue, or otherwise understated your Royalty Fee or any other payments by more than two percent (2%), or if you have failed to submit timely reports and/or remittances for any two (2) reporting periods within any twelve (12) month period; (iii) you fail to immediately endorse and deliver to us any payments due to us from any third party that is erroneously made to you; (iv) you fail to maintain sufficient inventory levels; (v) you fail to open the Franchised Business for business within six (6) months from the date you sign the Franchise Agreement; (vi) you fail to operate the Business during the months, days and hours that we prescribe; (vii) you fail to maintain our quality controls and standards; or (viii) you conduct yourself in a manner that reflects adversely on the System, the Proprietary Marks, or our products.
		Section 15	We have the right to terminate the Franchise Agreement after providing you a 30-day cure period if you: (i) fail to personally supervise business operations or employ adequate personnel; (ii) fail to procure or maintain any licenses, certifications, or permits necessary for the operation of the Franchised Business; (iii) fail to comply with any governmental notice of non-compliance with any law or regulation; or (iv) fail to perform or comply with any one (1) or more of the terms or conditions of the Franchise Agreement or ancillary agreements.

	Provision	Section in Franchise Agreement	Summary
h.	Cause defined – non-curable defaults	<p>Section 15.2</p> <p>Section 15.3</p>	<p>The Franchise Agreement will automatically terminate without notice or an opportunity to cure if: (i) you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or allow the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or allow the appointment of a trustee or receiver for you or the Franchised Business; (ii) proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for you or the Franchised Business without your consent, and the appointment is not vacated within sixty (60) days; (iii) you purport to sell, transfer or otherwise dispose of your interest in the Franchised Business without our written approval.</p> <p>We have the right to terminate the Franchise Agreement with notice but without providing you an opportunity to cure if: (i) you take part in criminal acts or misconduct; (ii) you commit fraud in the operation of the Business; (iii) you make any misrepresentations in connection with the franchise application; (iv) you fail to complete our initial training program; (v) you receive three (3) or more written notices of default within any six (6) month period; (vi) you materially breach any other agreement with us or our affiliates; (vii) you misuse the Proprietary Marks or Confidential Information; (viii) you violate any health, safety, environmental or sanitation law; (ix) you violate the in-term restrictive covenants of the Franchise Agreement; (x) a lien or writ of attachment or execution is placed against you and is not released or bonded against within thirty (30) days; (xi) you are insolvent; (xii) you abandon the Business; (xiii) you offer any unauthorized or unapproved products or services in connection with the operation of your Business; (xiv) you order or purchase supplies from unapproved suppliers; (xv) you misuse any proprietary or designated software or any area computer network, intranet system, or extranet system we may establish; (xvi) you fail to maintain the required insurance; (xvii) any governmental action is taken against you that results in any obligation upon us; (xviii) you fail to comply with any laws or regulations regarding terrorism; (xix) you take any assets or property of the Franchised Business for your personal use; or (xx) you have insufficient funds in your bank account two (2) or more times in a twelve (12) month period.</p>
i.	Franchisee's obligations on termination/non-renewal	Section 16	<p>Upon termination or expiration of the Franchise Agreement, you must: (i) cease all operations under the Franchise Agreement; (ii) promptly pay all sums you owe us, our affiliates, and our suppliers; (iii) cease using the Proprietary Marks; (iv) return to us the Operations Manual, any proprietary materials or information, including any proprietary Required Software, equipment and/or any other software that we may now or in the future designate, customer and supplier information, other Proprietary Materials and any and all other Confidential Information that we have provided and immediately cease use of such information and materials; (v) return to us all items reflecting the Proprietary Marks; (vi) cease holding yourself out as our franchisee; (vii) take necessary action to amend or cancel any business name or equivalent registration that contains our trade name or Proprietary Marks and provide proof of such compliance within thirty (30) days after termination; (viii) allow us to inspect your financial records within six (6) months of termination; (ix) comply with the post-term covenants contained in the Franchise Agreement; (x) provide us with access to all data regarding current Jobs, customers and access to the existing facility to allow us to complete Jobs related to customer garments in your possession; (xi) cease to use in advertising or in any other manner any methods, procedures or techniques associated with us or the System; and (xii) sign periodically any papers, documents, and assurances necessary to effectuate termination or nonrenewal.</p>

	Provision	Section in Franchise Agreement	Summary
j.	Assignment of contract by us	Section 14	We have the right to assign our rights under the Franchise Agreement.
k.	"Transfer" by you - definition	Section 14	A sale, transfer or assignment requiring our prior written consent occurs: (i) if you attempt to sell, transfer, assign, or encumber any portion of the Business or any interest in the Franchise Agreement or the Business; (ii) if you are a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of your voting stock, or any increase in the number of outstanding shares of your voting stock, which results in a change in ownership; (iii) if you are a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iv) if you are a limited liability company, upon any assignment, sale, pledge or transfer of any interest in the limited liability company. Any new franchisee entity will be required to personally guarantee your obligations under the Franchise Agreement.
l.	Our approval of transfer by franchisee	Section 14	You may not transfer any rights in the Business without our prior written consent. We have the right to condition our approval of any sale, transfer, assignment or encumbrance as described below. You may not transfer any rights in a Depot to any entity that does not already operate a Franchised Business in an adjacent territory
m.	Conditions for our approval of transfer	Section 14	Our approval of a proposed transfer is conditioned upon you and/or your transferee meeting all of the following conditions, as applicable: (i) all of your accrued monetary obligations to us, our affiliates and/or suppliers have been paid; (ii) all existing defaults under the Franchise Agreement have been cured; (iii) you sign a general release in favor of us and our affiliates; (iv) you provide us a copy of the signed purchase agreement; (v) the transferee meets our qualifications; (vi) the transferee signs our then-current Franchise Agreement; (vii) you or the transferee pay us a transfer fee of \$10,000 (plus any broker fees); (viii) the transferee satisfactorily completes our training program; (ix) you comply with the post-term provisions of the Franchise Agreement; (x) the transferee obtains all necessary licenses and permits necessary to operate the Franchised Business; (xi) as required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer; (xii) the transfer is made in compliance with all applicable laws; (xiii) the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its Franchise Agreement; (xiv) you must request that we provide the prospective transferee with our then-current form of disclosure document and we will not be liable for any representations not included in the disclosure document; (xv) our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party; (xvi) we will have the right to disclose to any prospective transferee revenue reports and other financial information concerning you and the Franchised Business as you have supplied us; and (xvii) we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.
n.	Our right of first refusal to acquire your business	Section 14	You must first offer to sell to us on the same terms and conditions as those offered by a third party. We will notify you, within thirty (30) days after receiving the terms offered by the third party, whether we wish to exercise our right to purchase your business.
o.	Our option to purchase your business	Not Applicable	Not Applicable (as part of our standard franchise offering).
p.		Section 14	



	Provision	Section in Franchise Agreement	Summary
	Your death or disability		Upon your death or disability, your rights under the Franchise Agreement may pass to your heirs or legatees, provided that: (i) within forty-five (45) days of your death or disability, they obtain prior written approval from us and execute our then-current Franchise Agreement for the unexpired term or furnish a personal guaranty of any entity guaranteeing your obligations to us; and (ii) they successfully complete our initial training program.
q.	Non-competition covenants during the term of the franchise	Section 13	During the term of the Franchise Agreement, neither you, your officers, directors, principals, or key employees (including, without limitation, your Account Manager, Plant Manager and Coordinator), nor any members of your immediate family or the immediate family of your officers, directors, principals or key employees may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (i) own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business offering or licensing a business offering emergency restoration dry cleaning and related restoration services for residential or commercial losses ("Competitive Business"); or (ii) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.
r.	Non-competition covenants after the franchise is terminated or expires	Section 13	<p>For a period of three (3) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, principals, nor any members of your immediate family or the immediate family of such persons may, directly or indirectly, enter into any business competing in whole or in part with us in granting franchises or licenses to operate a Competitive Business at the time the Franchise Agreement is terminated or otherwise expires and is not renewed.</p> <p>For a period of three (3) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, principals, nor any members of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (i) own, maintain, engage in, be employed as an officer, director, principal or executive of, or have any interest in any business competing in whole or in part with us in granting franchises or licenses to operate a Competitive Business at the time the Franchise Agreement is terminated or otherwise expires and is not renewed, (a) at the Approved Location, (b) within the Territory, or (c) within a radius of 25 miles of the perimeter of (1) your Territory (2) any other territory licensed by us as of the date of expiration or termination of the Franchise Agreement; (ii) solicit business from customers to whom you provided the Restoration Services of your Business; or (iii) contact any of our suppliers or vendors for any competitive business purpose.</p>
s.	Modification of the Franchise Agreement	Section	The Addendum may not be modified except by a written document signed by both parties.
t.	Integration/merger clauses	Section	<p>Only the terms of the Addendum and Franchise Agreement are binding (subject to state law).</p> <p>Any representations or promises made outside of the Franchise Disclosure Document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.</p>

	Provision	Section in Franchise Agreement	Summary
u.	Dispute resolution by arbitration or mediation	Section	You must bring all disputes before our President and/or Chief Executive Officer prior to bringing a claim before a third party. After exhausting this internal dispute resolution procedure, at our option, all claims or disputes between you and us must be submitted first to mediation in Memphis, Tennessee in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect.
v.	Choice of forum	Section	Subject to applicable state law, all claims not subject to mediation must be brought before a court of general jurisdiction in Memphis, Tennessee or the United States District Court for the Western District of Tennessee. You consent to the personal jurisdiction and venue of any court of general jurisdiction in Memphis, Tennessee and the United States District Court for the Western District of Tennessee.  (subject to state law)
w.	Choice of law	Section 18.1 in the Franchise Agreement	Subject to applicable state law, the Franchise Agreement is governed by the laws of the state of Tennessee.  (subject to state law)

## **ITEM 18** **PUBLIC FIGURES**

We do not use any public figures to promote our franchise.

## **ITEM 19** **FINANCIAL PERFORMANCE REPRESENTATION**

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: (i) a franchisor provides the actual records of an existing outlet you are considering buying; or (ii) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Joel Lyons at 1750 Transport Avenue, Memphis, Tennessee 38116 or (866) 933-8267, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20** **OUTLETS AND FRANCHISEE INFORMATION**

**TABLE 1**  
**Systemwide Outlet Summary**  
**For Years 2020 to 2022**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	6	8	+2
	2021	8	10	+2
	2022	10	10	0
Company-Owned <sup>1</sup>	2020	7	7	0
	2021	7	7	0
	2022	7	5	-2
Total Outlets	2020	13	15	+2
	2021	15	17	+2
	2022	17	15	-2

<sup>1</sup>Please note that all outlets in the “Company-Owned or Affiliate-Owned” category are: (i) owned by our parent company Lyons Enterprises, Incorporated; and (ii) operate under our then-current primary mark LYONS and/or LYONS RESTORES; and (iii) offer the Restoration and other Approved Services as our System franchisees.

**TABLE 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2020 to 2022**

STATE	YEAR	NUMBER OF TRANSFERS
TOTALS	2020	0
	2021	0
	2022	0

**TABLE 3**  
**Status of Franchised Outlets**  
**For Years 2020 to 2022**

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
AZ	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
CA	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	1	0	0	0	1
IL	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
KS	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

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
AZ	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NY	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MD	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NC	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NJ	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
PA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Totals	2020	6	2	0	0	0	0	8
	2021	8	3	0	0	0	1	10
	2022	10	1	1	0	0	0	10

**TABLE 4**  
**Status of Company-Owned and Affiliate-Owned Businesses**  
**For Years 2020 to 2022**

State	Year	Outlets At The Start Of The Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of The Year
AL	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
GA	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	1	0
MS	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3

State	Year	Outlets At The Start Of The Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of The Year
TN	2022	3	0	0	1	0	2
TX	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
TOTALS	2020	7	0	0	0	0	7
	2021	7	0	0	0	0	7
	2022	7	0	0	2	0	5

**TABLE 5**

**Projected Openings as of December 31, 2022**

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected Company Owned Outlet in the Next Fiscal Year
TOTALS	0	0	0

This Franchise Disclosure Document contains the following list that will be updated: (i) a list of our franchisees is attached as Exhibit G-1 to this Franchise Disclosure Document; and (ii) a list of franchisees who have left the System within the past fiscal year or who have not communicated with us within 10 weeks of the Issue Date is attached as Exhibit H to this Franchise Disclosure Document. We have not terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business with any franchisee during the most recently completed fiscal year, nor has any franchisee not communicated with us within the 10-week period immediately following the effective date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the System.

There are no trademark specific franchisee organizations that require disclosure in this Item as of the Issue Date.

We have not required any franchisee to sign a confidentiality agreement within the past three (3) years that would restrict their ability to speak openly about their experience with us.

**ITEM 21**

**FINANCIAL STATEMENTS**

Exhibit D of this Franchise Disclosure Document contains our (a) audited financial statements as of December 31, 2020, December 31, 2021, and December 31, 2022, and (b) unaudited balance sheet as of January 31, 2024, along with our unaudited profit and loss statement for the interim period commencing on January 1, 2024, and ending January 31, 2024. Our fiscal year end is December 31 of each year.

**ITEM 22**

**CONTRACTS**

The following Exhibits to this Disclosure Document are contracts that you will be required to enter into with us in connection with the franchise being offered hereunder:

- Exhibit E Franchise Agreement:
- Exhibit A to the Franchise Agreement: Personal Guaranty
- Exhibit B to the Franchise Agreement: Confidentiality and Restrictive Covenant Agreement
- Exhibit C to the Franchise Agreement: Electronic Funds Withdrawal Authorization
- Exhibit D to the Franchise Agreement: Depot Addendum
- Exhibit E to the Franchise Agreement: Software Sublicense Agreement
- Exhibit F: State Specific Addenda to Franchise Agreement.
- Exhibit I - Franchisee Questionnaire
- Exhibit L – Receipt(s)

### **ITEM 23** **RECEIPTS**

Exhibit L of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Attn: Mr. Joel Lyons, c/o Evans Garment Restoration II, LLC, 1750 Transport Avenue, Memphis, Tennessee 38116.

**EXHIBIT A**

**TO EVANS GARMENT RESTORATION II, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS**

## LIST OF STATE ADMINISTRATORS

<p>California Department of Financial Protection and Innovation TOLL FREE 1-(866) 275-2677</p> <p><u>LA Office</u> 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500</p> <p><u>Sacramento Office</u> 2101 Arena Blvd. Sacramento, CA 95834 (866) 275-2677</p> <p><u>San Diego Office</u> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233</p> <p><u>San Francisco Office</u> One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8565</p>	<p>Minnesota Department of Commerce Commissioner of Commerce 85 7<sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600</p> <p>Nebraska Department of Banking and Finance 1200 North Street, Suite 311 P.O. Box 95006 Lincoln, NE 68509-5006 (402) 471-3445</p> <p>NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 (212) 416-8236</p> <p>North Dakota Securities Department State Capital, 5<sup>th</sup> Floor 600 East Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-2910</p>
<p>Banking Commissioner State of Connecticut Department of Banking 260 Constitutional Plaza Hartford, CT 06103-1800 (860) 240-8299</p>	<p>Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities labor and Industries 350 Winter Street, NE, Room 410 Salem, OR 97310-3881 (503) 378-4140</p>
<p>Florida Department of Agricultural and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (904) 922-2770</p>	<p>Rhode Island Division Of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232</p>
<p>Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p>	<p>Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501-3185 (605) 773-3563</p>



Illinois Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Statutory Document Section Texas Secretary of State P.O. Box 12887 Austin, TX 78711 (512) 475-1769
Indiana Secretary of State Securities Division 302 West Washington Street, Room E-11 Indianapolis, IN 46204 (317) 232-6681	State of Utah Division of Consumer Protection P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
Kentucky Office of the Attorney General Consumer Protection Division P.O. Box 2000 Frankford, KY 40602 (502) 573-2200	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> floor Richmond, VA 23219 (804) 371-9051
Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	State of Washington Director, Department of Financial Institutions Securities Division 150 Israel Road, SW Olympia, WA 98501 (360) 902-8760
Michigan Department of the Attorney General Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48933 (517) 373-7117	Wisconsin Commissioner of Securities 201 W Washington Ave., 3 <sup>rd</sup> Floor Madison, WI 53703 (608)266-8557

**EXHIBIT B**  
**TO EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**LIST OF AGENTS FOR SERVICE OF PROCESS**

### LIST OF AGENTS FOR SERVICE OF PROCESS

Evans Garment Restoration II, LLC 1750 Transport Avenue Memphis, Tennessee 38116	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48933
California Department of Financial Protection & Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344	Minnesota Department of Commerce Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
Department of Financial Protection & Innovation One Sansome Street, Suite 600 San Francisco, CA 94104	Secretary of the State of New York 99 Washington Avenue Albany, NY 12231
Commissioner of Financial Protection & Innovation 2101 Arena Blvd. Sacramento, CA 95834	North Dakota Securities Commissioner State Capitol – 5 <sup>th</sup> Floor 600 E. Boulevard Avenue Bismarck, ND 58505
Banking Commissioner State of Connecticut Department of Banking 260 Constitutional Plaza Hartford, CT 06103-1800 (860) 240-8299	Director of Rhode Island Division of Securities Suite 232 233 Richmond Street Providence, RI 02903-4232
Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs - Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813	Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501-3185
Illinois Attorney General 500 South Second Street Springfield, IL 62706	Clerk of the State Corporation Commission Tyler Building, 1 <sup>st</sup> Floor 1300 East Main Street Richmond, VA 23219
Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204	Director, Department of Financial Institutions Securities Division 150 Israel Road, Southwest Olympia, WA 98501
Maryland Securities Commissioner Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020	Wisconsin Commissioner of Securities 201 West Washington Avenue, 3rd Floor Madison, WI 53703 (608) 261-9555

**EXHIBIT C**  
**TO EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS OF OPERATIONS MANUAL**

## Table of Contents

INTRODUCTION .....	2
THE BRANDS.....	4
MARKETING AND SALES .....	12
CUSTOMER SERVICE .....	17
FIELD SERVICES .....	22
CLEANING AND PROCESSING SYSTEM .....	27
TRAINING AND MANAGEMENT SYSTEMS .....	30
ACCOUNTING.....	32
EQUIPMENT AND SUPPLIERS .....	37
INSURANCE REQUIREMENTS .....	43
DISASTER RECOVERY AND BUSINESS CONTINUITY.....	45
INFORMATION TECHNOLOGY SECURITY .....	47
ENVIRONMENTAL POLICY .....	49
CODE OF CONDUCT.....	51

**EXHIBIT D**  
**TO EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**EVANS GARMENT RESTORATION II, LLC**

**AUDITED**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2022 and December 31, 2021**

## **TABLE OF CONTENTS**

### **PAGE**

Independent Auditors' Report.....1-2

#### Financial Statements

Balance Sheet.....3

Statement of Operations and Member's Accumulated deficit.....4-5

Statement of Cash Flows.....6

Notes to the Financial Statements.....7-10



**WILLIAM FULTON, CERTIFIED PUBLIC ACCOUNTANT**  
**10461 MABRY MILL ROAD**  
**CORDOVA, TENNESSEE 38016**  
**(O 901-870-1364 (F) 901-743-3561**  
**EMAIL: wfcpa@comcast.net**

**INDEPENDENT AUDITOR'S REPORT**

To the Member  
Evans Garment Restoration II, LLC

**Qualified Opinion**

We have audited the accompanying financial statements of Evans Garment Restoration II, LLC (a Tennessee Limited liability company), which comprise the balance sheet as of December 31, 2022 and December 31, 2021, and the related statements of operations and members' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of amounts recorded in inventory and due from Lyons in the financial statements described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Evans Garment Restoration II LLC as of December 31, 2022 and December 31, 2021 and the results of 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 Qualified Opinion**

I was unable to observe or verify the physical inventory stated at \$85,718 as of December 31, 2022, as the beginning inventory balance could not be observed, and the Company's records do not permit adequate retrospective tests of inventory quantities. Additionally, the company could not provide support for Due from Lyons in the amount of \$262,857.

We conducted our audit 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 Evans Garment Restoration II LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 Evans Garment Restoration II, 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 Evans Garment Restoration II, 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 Evans Garment Restoration II, 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.

*William Fulton, CPA*

William Fulton, Certified Public Accountant

Cordova, Tennessee

May 23, 2023

EVANS GARMENT RESTORATION II, LLC  
BALANCE SHEET  
December 31, 2022 and December 31, 2021

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Asset</u>		
Cash	\$ 11,035	\$ 852
Account Receivable:	59,213	46,868
Due from Lyons	262,857	135,714
Note Receivable	6	13,408
Inventory	<u>85,718</u>	<u>100,143</u>
 TOTAL CURRENT ASSETS	 418,830	 296,985
 Vehicle, net of accumulated depreciation of 9,242	 -	 6,955
 Other	 <u>1,316</u>	 <u>5,010</u>
 Total assets	 <u>\$ 420,145</u>	 <u>\$ 308,950</u>

Liabilities and Members' Equity

CURRENT LIABILITIES

Line of credit - Pinnacle bank	\$ 26,058	\$ 41,901
Deferred Income	112,000	112,000
Shareholder Note payable	34,950	34,950
Due to EGR-TX	-	-
Lease payable	<u>-</u>	<u>8,260</u>
 Accounts payable		
Trade	135,688	87,762
Credit card, Pinnacle	<u>7,988</u>	<u>8,013</u>
 TOTAL CURRENT LIABILITIES	 316,683	 292,888
 Capital lease obligation, less current portion	 -	 -
 Members' Equity	 <u>103,462</u>	 <u>16,062</u>
 Total liabilities and members' equity	 <u>\$ 420,145</u>	 <u>\$ 308,950</u>

See Accompanying Notes.

EVANS GARMENT RESTORATION II, LLC  
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Sales	\$ 120,200	\$ 140,012
Cost of Sales	<u>127,824</u>	<u>164,278</u>
Gross profit	(7,624)	(24,266)
Operating expenses:		
Professional fees	14,790	17,806
Advertising	28,023	10,087
Miscellaneous	6,500	10,788
Automobile expenses	6,442	1,235
Administrative	78,664	74,971
Bank charges	4,198	2,626
Bad debt	-	17,037
Computer services	-	901
Insurance	13,895	10,728
Interest expense	3,468	6,222
Meals and entertainment	16,723	5,759
Office supplies	4,445	4,424
Discount - Tier 1	5,020	-
Shrinkage	2,903	286
Taxes and licenses	514	578
Travel	39,608	22,146
Depreciation	<u>6,955</u>	<u>18,482</u>
Total operating expenses	<u>232,147</u>	<u>204,076</u>
Operating loss	(239,770)	(228,342)
Other income (expense):		
Royalties	152,538	140,617
Franchise fees	40,000	38,000
Franchise renewal fees	45,000	28,000
Franchise IT services	5,395	5,019
Job referral fees	26,370	22,399
Marketing	51,542	46,692
Interest income	877	668
Interest expense	<u>-</u>	<u>-</u>

See Accompanying Notes

EVANS GARMENT RESTORATION II, LLC  
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY - Continued  
For the Years Ended December 31, 2022 and 2021

Other income (expense): Continued

Total other income	<u>321,720</u>	<u>281,394</u>
Net (loss) profit	81,950	53,052
Members' equity/accumulated deficit at beginning of year	16,062	(42,440)
Prior period adjustment	-	-
Capital contribution	<u>5,450</u>	<u>5,450</u>
Members' equity at end of year	<u>\$ 103,462</u>	<u>\$ 16,062</u>

See Accompanying Notes.

EVANS GARMENT RESTORATION II, LLC  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2022 and December 31, 2021

	<u>2022</u>	<u>2021</u>
Cash Flows for Operating Activities		
Changes in net assets	\$ 81,950	\$ 53,052
Adjustments to reconcile change in net assets to net cash provided by operating activities.		
Depreciation	6,955	18,482
Increase/ Increase in acct receivable	(12,345)	(36,433)
Increase/ Increase in due from lyons	(121,694)	(48,942)
Decrease/Decrease in note receivable	13,402	33,881
Decrease/ Decrease in inventory	14,425	16,567
Decrease/Decrease in other assets	3,694	13,710
Increase/Decrease in deferred income	-	42,000
Increase/Decrease in accounts payable	<u>47,925</u>	<u>(51,218)</u>
Net Cash Provided by Operating Activities	34,312	41,100
Cash Flows from Financing Activities		
Paymnets Line of credit	(15,844)	(7,602)
Shareholder payments	-	(28,824)
Payments toward capital lease	(8,260)	(8,473)
Payments toward debt obligations	<u>(25)</u>	<u>(10,836)</u>
Net Cash From Financing Activities	(24,129)	(55,735)
Net Increase/Decrease Cash equivalents	10,183	(14,634)
Cash and Cash Equivalents at Beginning of Year	<u>852</u>	<u>15,487</u>
CASH AND CASH EQUIVALENT AT END OF YEAR	<u>\$ 11,035</u>	<u>\$ 852</u>

See Accompanying Notes.

EVANS GARMENT RESTORATION II, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Note 1-Nature of Activities and Significant Accounting Policies

Business Activity

Evans Garment Restoration II, LLC (the Company) is a Tennessee Limited Liability Company formed to act as the franchisor for the garment cleaning process.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of accompanying financial statements follows:

Description of Major Activities

The company sells franchisees to prospective buyers for an initial franchise fee

The company sells supplies and equipment to franchisees

The company provides each franchisee with prospective business

The company sells franchises and provides the franchisee with a minimum janitorial revenue base. The company receives 8% royalty payments as services are performed by the franchisee. The company recognizes revenue from the sale of the franchise after all material obligations relating to the sale have been substantially performed.

Other Franchise revenue

The company sells franchisees inventory to utilize when performing services at a 30% markup.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of 3 months or less to be cash equivalents. The company has no cash equivalents.

Under certain states franchise laws, escrow deposits are required to cover potential future franchise fees. To maintain the ability to establish franchises in these states, the Company has established escrow accounts in these states. At December 31, 2022 no amounts are held in these escrow accounts.

Accounts Receivable

Accounts receivable are uncollateralized and are recorded at the invoice amount. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Material and supplies are valued at the lower of average cost or net realizable value.

EVANS GARMENT RESTORATION II, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Vehicle

Depreciation is provided for in amounts sufficient to related the cost of depreciable assets to operations over their estimated service lives. The estimated life of the vehicle is 5 years and is depreciable under the straight-line method of depreciation. Depreciation expense was \$6,955 for the year ended December 31, 2022.

Compensated Absences

The company does not accrue for compensated absences because the amount of the obligation cannot be reasonably estimated.

Revenue Recognition Policy

The company has adopted Topic 606 Revenue from Contracts with Customers with a date of January 1, 2019. However, no transactions during the period met the criteria, As the license agreement specifies initial franchise fee is fully earned upon payment. The company requires the entire non-refundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of 5 years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The company's services under the franchise agreement include training, ongoing support, maintenance of clients, start-up equipment and inventory and supplies. Continuing franchise royalties are based on a defined percentage (8%) and are recognized when paid. The company recognized income from supply sales when goods are shipped. The services provided by the company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

Disaggregated Revenue

In general, the company franchise agreements provide for the payment of a franchise fee from each prospect. Revenue is recognized when after all obligations relating to the sale have been substantially performed. The sale of franchises, royalty payments received, and supplies sold are presented separately. During the year ended December 31, 2022, 1 franchise was sold.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

Advertising costs are charged to operations when incurred. The costs incurred for December 31, 2022 and 2021 was \$28,023 and \$10,087.



EVANS GARMENT RESTORATION II, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Income Tax Status:

There is no provision for federal income taxes as the Company is taxes as an LLC. The members include their share of the Company's income in their respective tax returns. Accordingly, no provision has been made for federal income taxes, The Company is subject to the Tennessee franchise tax

Income Tax Status - Continued:

The Company has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes and limitations, audits, changes in tax law, and new authoritative rulings. The company is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of balance sheet date. Penalties and interest assessed by taxing authorities are included in the provision for income taxes, if applicable. There were no interest or penalties paid during 2019 are currently under the examination by the Internal Revenue Service.

Bad debt expense

The organization used the direct write-off method to recognized bad debt expense relative to uncollectible account receivables. Bad debt expense for the years ended December 31, 2022 and December 31, 2021 was \$0 and \$17,037, respectively.

Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through May 23, 2023, which is the date the financial statements were available to be issued.

Recants Accounting Pronouncements

In 2015, the Financial Accounting Standards Board issued accounting standards update (ASU) 2015-11, Inventory (Topic 330), simplifying the measurement of inventory. The ASU amended inventory measurement guidance to require inventory measured using first in, first out or average cost methods to the measured at the lower of cost of net realizable value. Net realizable is defined as the estimated selling price in the ordinary course of business less reasonable predictable costs of completion, disposal and transportation the ASU is effective for years beginning after December 31, 2018 and is to be applied prospectively. Management adopted this update for the update for the year ended December 31, 2022. The adoption of this update did not have a material effect on the Company's financial statements.

NOTE - 3 CONCENTRATION OF CREDIT RISK

The company maintains its cash balances in one financial institution. The balance is insured by the Federal Deposit Insurance company up to the maximum federally insured amount. The Company has not experienced any losses in such accounts at December 31, 2022 and through the date of this report.

EVANS GARMENT RESTORATION II, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE - 4 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, the Company entered into transactions with multiple entities owned by one of the member. The company owes Evan Garment Restoration II, LLC \$262,857; Evans Garment Restoration II, LLC owes the owner \$34,950. Additionally, as of December 31, 2022, the entity owes the company for a credit card debt in the amount of \$7,988.

NOTE 5 - NOTE RECEIVABLE

A note receivable consist of a note due from a franchisee. The note bear interest of 8%. The note matures on 7/5/2022. As of December 31, 2022, the note balance was \$0

	12/31/2022	12/31/2021
Evans of Chicago	\$ -	\$ 9,141
Evans of KC	-	4,267
Total	-	\$ 13,408

NOTE -6 LINE OF CREDIT

The company has a line of credit for \$50,000 with a financial institution. The line of credit balance was \$26,058 as of December 31, 2022.

**EVANS GARMENT RESTORATION II, LLC**

**AUDITED**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2021 and December 31, 2020**

## **TABLE OF CONTENTS**

### **PAGE**

Independent Auditors' Report.....1-2

#### Financial Statements

Balance Sheet.....3

Statement of Operations and Member's Accumulated deficit.....4-5

Statement of Cash Flows.....6

Notes to the Financial Statements.....7-10

**WILLIAM FULTON, CERTIFIED PUBLIC ACCOUNTANT**  
**10461 MABRY MILL ROAD**  
**CORDOVA, TENNESSEE 38016**  
**(O 901-870-1364 (F) 901-743-3561**  
**EMAIL: wfcpa@comcast.net**

**INDEPENDENT AUDITOR'S REPORT**

To the Member  
Evans Garment Restoration II, LLC

**Qualified Opinion**

We have audited the accompanying financial statements of Evans Garment Restoration II, LLC (a Tennessee Limited liability company), which comprise the balance sheet as of December 31, 2021 and December 31, 2020, and the related statements of operations and members' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of amounts recorded in inventory, due from Lyons and credit cards in the financial statements described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Evans Garment Restoration II LLC as of December 31, 2021 and December 31, 2020 and the results of 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 Qualified Opinion**

I was unable to observe or verify the physical inventory stated at \$100,143 as of December 31, 2021, as the beginning inventory balance could not be observed, and the Company's records do not permit adequate retrospective tests of inventory quantities. Additionally, the company could not provide support for note receivables due to owner and company charges allocated to Pinnacle credit cards in the amounts of \$110,738 and \$8,013, respectively.

We conducted our audit 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 Evans Garment Restoration II LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 Evans Garment Restoration II, 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 Evans Garment Restoration II, 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 Evans Garment Restoration II, 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.

*William Fulton, CPA*

William Fulton, Certified Public Accountant

Cordova, Tennessee  
May 26, 2022

EVANS GARMENT RESTORATION II, LLC  
BALANCE SHEET  
December 31, 2021 and December 31, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current Asset</u>		
Cash	\$ 852	\$ 15,486
Account Receivable:	46,868	10,435
Due from Lyons	135,714	86,772
Note Receivable	13,408	47,290
Inventory	<u>100,143</u>	<u>116,711</u>
 TOTAL CURRENT ASSETS	 296,985	 276,693
 Vehicle, net of accumulated depreciation of 9,242	 6,955	 15,403
 Other	 <u>5,010</u>	 <u>18,720</u>
 Total assets	 <u>\$ 308,950</u>	 <u>\$ 310,816</u>

Liabilities and Members' Equity

CURRENT LIABILITIES

Line of credit - Pinnacle bank	\$ 41,901	\$ 49,503
Deferred Income	112,000	70,000
Shareholder Note payable	34,950	59,774
Due to EGR-TX	-	10,836
Lease payable	<u>8,260</u>	<u>9,597</u>
 Accounts payable		
Trade	87,762	116,272
Credit card, Pinnacle	<u>8,013</u>	<u>30,721</u>
 TOTAL CURRENT LIABILITIES	 292,888	 346,702
 Capital lease obligation, less current portion	 -	 6,554
 Members' Equity/accumulated deficit	 <u>16,062</u>	 <u>(42,440)</u>
 Total liabilities and members' equity/accumulated deficit	 <u>\$ 308,950</u>	 <u>\$ 310,816</u>

See Accompanying Notes.

EVANS GARMENT RESTORATION II, LLC  
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY/ACCUMULATED DEFICIT  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Sales	\$ 140,012	\$ 132,916
Cost of Sales	<u>164,278</u>	<u>117,960</u>
Gross profit	(24,266)	14,957
Operating expenses:		
Professional fees	17,806	17,509
Advertising	10,087	11,524
Miscellaneous	10,788	7,791
Automobile expenses	1,235	1,619
Administrative	74,971	75,302
Bank charges	2,626	4,408
Bad debt	17,037	-
Computer services	901	-
Insurance	10,728	-
Interest expense	6,222	3,283
Meals and entertainment	5,759	4,834
Office supplies	4,424	1,283
Reimbursable expenses	-	691
Shrinkage	286	680
Taxes and licenses	578	1,282
Travel	22,146	28,908
Depreciation	<u>18,482</u>	<u>9,241</u>
Total operating expenses	<u>204,076</u>	<u>168,354</u>
Operating loss	(228,342)	(153,397)
Other income (expense):		
Royalties	140,617	73,062
Franchise fees	38,000	15,000
Franchise renewal fees	28,000	25,000
Franchise IT services	5,019	4,185
Job referral fees	22,399	14,749
Marketing	46,692	24,345
Interest income	668	2,384
Interest expense	<u>-</u>	<u>-</u>

See Accompanying Notes



EVANS GARMENT RESTORATION II, LLC  
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY/ ACCUMULATED DEFICIT - Continued  
For the Years Ended December 31, 2021 and 2020

Other income (expense): Continued

Total other income	<u>281,394</u>	<u>158,724</u>
Net (loss) profit	53,052	5,327
Members' accumulated deficit at beginning of year	(42,440)	(53,072)
Prior period adjustment	-	(145)
Capital contribution	<u>5,450</u>	<u>5,450</u>
Members' equity/accumulated deficit at end of year	<u>\$ 16,062</u>	<u>\$ (42,440)</u>

See Accompanying Notes.

EVANS GARMENT RESTORATION II, LLC  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2021 and December 31, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows for Operating Activities		
Changes in net assets	\$ 53,052	\$ 5,327
Adjustments to reconcile change in net assets to net cash provided by operating activities.		
Depreciation	18,482	9,241
Increase/ Increase in acct receivable	(36,433)	(26,851)
Increase/ Increase in due from lyons	(48,942)	-
Decrease/Increase in note receivable	33,881	31,955
Decrease/ Increase in inventory	16,567	(36,119)
Decrease/Decrease in other assets	13,710	(18,710)
Increase/Decrease in deferred income	42,000	-
Increase/Decrease in accounts payable	(51,218)	50,468
Net Cash Provided by Operating Activities	<u>41,100</u>	<u>15,313</u>
Cash Flows from Financing Activities		
Capital contribution	-	5,450
Paymnets Line of credit	(7,602)	2,500
Shareholder payments	(28,824)	-
Payments toward capital lease	(8,473)	-
Payments toward debt obligations	(10,836)	(17,444)
Net Cash From Financing Activities	<u>(55,735)</u>	<u>(9,494)</u>
Net Increase/Decrease Cash equivalents	(14,634)	5,819
Cash and Cash Equivalents at Beginning of Year	<u>15,487</u>	<u>9,668</u>
CASH AND CASH EQUIVALENT AT END OF YEAR	<u>\$ 852</u>	<u>\$ 15,487</u>

See Accompanying Notes.

EVANS GARMENT RESTORATION II, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Note 1-Nature of Activities and Significant Accounting Policies

Business Activity

Evans Garment Restoration II, LLC (the Company) is a Tennessee Limited Liability Company formed to act as the franchisor for the garment cleaning process.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of accompanying financial statements follows:

Description of Major Activities

The company sells franchisees to prospective buyers for an initial franchise fee

The company sells supplies and equipment to franchisees

The company provides each franchisee with prospective business

The company sells franchises and provides the franchisee with a minimum janitorial revenue base. The company receives 8% royalty payments as services are performed by the franchisee. The company recognizes revenue from the sale of the franchise after all material obligations relating to the sale have been substantially performed.

Other Franchise revenue

The company sells franchisees inventory to utilize when performing services at a 30% markup.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of 3 months or less to be cash equivalents. The company has no cash equivalents.

Under certain states franchise laws, escrow deposits are required to cover potential future franchise fees. To maintain the ability to establish franchises in these states, the Company has established escrow accounts in these states. At December 31, 2021 no amounts are held in these escrow accounts.

Accounts Receivable

Accounts receivable are uncollateralized and are recorded at the invoice amount. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Material and supplies are valued at the lower of average cost or net realizable value.

EVANS GARMENT RESTORATION II, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Vehicle

Depreciation is provided for in amounts sufficient to related the cost of depreciable assets to operations over their estimated service lives. The estimated life of the vehicle is 5 years and is depreciable under the straight-line method of depreciation. Depreciation expense was \$9,241 for the year ended December 31, 2021.

Compensated Absences

The company does not accrue for compensated absences because the amount of the obligation cannot be reasonably estimated.

Revenue Recognition Policy

The company has adopted Topic 606 Revenue from Contracts with Customers with a date of January 1, 2019. However, no transactions during the period met the criteria, As the license agreement specifies initial franchise fee is fully earned upon payment. The company requires the entire non-refundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of 5 years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The company's services under the franchise agreement include training, ongoing support, maintenance of clients, start-up equipment and inventory and supplies. Continuing franchise royalties are based on a defined percentage (8%) and are recognized when paid. The company recognized income from supply sales when goods are shipped. The services provided by the company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

Disaggregated Revenue

In general, the company franchise agreements provide for the payment of a franchise fee from each prospect. Revenue is recognized when after all obligations relating to the sale have been substantially performed. The sale of franchises, royalty payments received, and supplies sold are presented separately. During the year ended December 31, 2021, 3 franchises were sold.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

Advertising costs are charged to operations when incurred. The costs incurred for December 31, 2021 and 2020 was \$10,087 and \$11,524.

EVANS GARMENT RESTORATION II, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Income Tax Status:

There is no provision for federal income taxes as the Company is taxes as an LLC. The members include their share of the Company's income in their respective tax returns. Accordingly, no provision has been made for federal income taxes, The Company is subject to the Tennessee franchise tax

Income Tax Status - Continued:

The Company has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes and limitations, audits, changes in tax law, and new authoritative rulings. The company is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of balance sheet date. Penalties and interest assessed by taxing authorities are included in the provision for income taxes, if applicable. There were no interest or penalties paid during 2019 are currently under the examination by the Internal Revenue Service.

Bad debt expense

The organization used the direct write-off method to recognized bad debt expense relative to uncollectible account receivables. Bad debt expense for the years ended December 31, 2021 was \$17,037 and \$0, respectively.

Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through May 26, 2022, which is the date the financial statements were available to be issued.

Recants Accounting Pronouncements

In 2015, the Financial Accounting Standards Board issued accounting standards update (ASU) 2015-11, Inventory (Topic 330), simplifying the measurement of inventory. The ASU amended inventory measurement guidance to require inventory measured using first in, first out or average cost methods to the measured at the lower of cost of net realizable value. Net realizable is defined as the estimated selling price in the ordinary course of business less reasonable predictable costs of completion, disposal and transportation the ASU is effective for years beginning after December 31, 2018 and is to be applied prospectively. Management adopted this update for the update for the year ended December 31, 2021. The adoption of this update did not have a material effect on the Company's financial statements.

NOTE - 3 CONCENTRATION OF CREDIT RISK

The company maintains its cash balances in one financial institution. The balance is insured by the Federal Deposit Insurance company up to the maximum federally insured amount. The Company has not experienced any losses in such accounts at December 31, 2021 and through the date of this report.

EVANS GARMENT RESTORATION II, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE - 4 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Company entered into transactions with multiple entities owned by one of the member. The company owes Evan Garment Restoration II, LLC \$135,714; Evans Garment Restoration II, LLC owes the owner \$34,950. Additionally, as of December 31, 2021, the entity owes the company for a credit card debt in the amount of \$8,013. Furthermore, the company also entered into a capital lease agreement with the entity. The note matures in October 2022.

NOTE - 5 CAPITAL LEASE OBLIGATION

The company entered into a capital lease during the year ended December 31, 2017 with a related party for a vehicle. As of December 31, 2021, the cost of the asset acquired under capital lease is \$46,207, the related depreciation is \$9,242 and the book value is \$6,955. The note matures in October 2022.

Capital lease obligation consists of the following at December 31, 2021

Lyons Enterprises, Incorporated

Payable in monthly installments of \$828

including interest at 2.90% through October 3, 2022	\$	8,260
Less current maturities		<u>-</u>
	\$	8,260

NOTE 6 - NOTE RECEIVABLE

A note receivable consist of a note due from a franchisee. The note bear interest of 8%. The note matures on 7/5/2022. As of December 31, 2021, the note balance was \$13,408

	12/31/2021	12/31/2020
Evans of Chicago	\$ 9,141	\$ -
Evans of KC	<u>4,267</u>	<u>15,344</u>
Total	<u>\$ 13,408</u>	<u>\$ 15,344</u>

NOTE - 7 LINE OF CREDIT

The company has a line of credit for \$50,000 with a financial institution. The line of credit balance was \$41,901 as of December 31, 2021.

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESS HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

# Evans Garment Restoration II dba Lyons Restores

## Balance Sheet

As of January 31, 2024

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Deposit Account	-1,337.95
Simmons Checking	34,233.99
<b>Total Bank Accounts</b>	<b>\$32,896.04</b>
Accounts Receivable	
Accounts Receivable (A/R)	0.00
Promissory Note - KC 2	0.00
<b>Total Accounts Receivable</b>	<b>\$0.00</b>
Other Current Assets	
Due From Lyons	26,598.57
Due from Texas	37,746.29
Inventory Asset	18,250.53
Inventory-Supplies from Old DFW to New DFW	18,606.92
Promissory Note - KC	6.27
Undeposited Funds	10.00
<b>Total Other Current Assets</b>	<b>\$101,218.58</b>
<b>Total Current Assets</b>	<b>\$134,114.62</b>
Fixed Assets	
Accumulated Depeciation	-21,562.67
<b>Total Fixed Assets</b>	<b>\$ -21,562.67</b>
Other Assets	
Evans of CHI Intitial Fee Due	-38,935.73
Leased Vehicle	46,999.65
Software Setup Fees & License Agreement	0.00
<b>Total Other Assets</b>	<b>\$8,063.92</b>
<b>TOTAL ASSETS</b>	<b>\$120,615.87</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	0.00
<b>Total Accounts Payable</b>	<b>\$0.00</b>
Credit Cards	
EGR II - Pinnacle Bank CC	7,156.25



# Evans Garment Restoration II dba Lyons Restores

## Balance Sheet

As of January 31, 2024

	TOTAL
<b>Total Credit Cards</b>	<b>\$7,156.25</b>
Other Current Liabilities	
Due To/From EGR-TX, LLC	-2,500.00
Line of Credit	8,646.60
Out Of Scope Agency Payable	0.00
Program Claims Clearing (unpaid)	0.00
Texas State Comptroller Payable	0.00
Transfer To/From Joel Lyons (2292)	-35,667.65
Transfers To/From Lyons checking (4880)	-262,822.29
<b>Total Other Current Liabilities</b>	<b>\$ -292,343.34</b>
<b>Total Current Liabilities</b>	<b>\$ -285,187.09</b>
Long-Term Liabilities	
BUF Initial Fee Deferred Income	16,000.00
CHI Initial Fee Deferred Income	16,000.00
Lease Liability	-1,315.64
NJ Initial Fee Deferred Income	32,000.00
RDU Initial Fee Deferred Income	24,000.00
SAC Initial Fee Deferred Income	24,000.00
Shareholder Notes Payable	34,950.00
<b>Total Long-Term Liabilities</b>	<b>\$145,634.36</b>
<b>Total Liabilities</b>	<b>\$ -139,552.73</b>
Equity	
Opening Balance Equity	0.00
Owner's Investment	75,000.00
Owner's Pay & Personal Expenses	-4,857.29
Retained Earnings	146,784.45
Net Income	43,241.44
<b>Total Equity</b>	<b>\$260,168.60</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$120,615.87</b>

# Evans Garment Restoration II dba Lyons Restores

## Profit and Loss

January 2024

	TOTAL
Income	
Job Referral Fees	-535.49
Mktg. Fund - Weekly	
BUF (Colvin)	164.90
Chicago	3,391.29
Minnesota	1,885.30
New Jersey (EWR)	895.58
Phoenix	804.26
Raliegh	336.08
SAC - No CA	1,182.53
<b>Total Mktg. Fund - Weekly</b>	<b>8,659.94</b>
Royalties-Weekly	
BUF (Colvin)	494.71
Chicago	901.70
Minnesota	16,567.29
New Jersey (EWR)	2,367.53
New York (RDC)	-6,060.96
Phoenix	2,180.64
Raliegh	1,008.25
SAC - No CA	3,547.57
<b>Total Royalties-Weekly</b>	<b>21,006.73</b>
Sales of Product Income	
Contents Track	2,100.00
DASH	7,404.00
<b>Total Sales of Product Income</b>	<b>9,504.00</b>
Unapplied Cash Payment Income	27,635.58
<b>Total Income</b>	<b>\$66,270.76</b>
Cost of Goods Sold	
Cost of Goods Sold	1,396.60
Shipping	59.43
<b>Total Cost of Goods Sold</b>	<b>\$1,456.03</b>
<b>GROSS PROFIT</b>	<b>\$64,814.73</b>
Expenses	
Advertising & Marketing	8,159.49
Website	99.00
<b>Total Advertising &amp; Marketing</b>	<b>8,258.49</b>
Auto Rentals; Taxis; Uber; Fuel; Etc.	343.43
Bank Charges & Late Fees	255.11
Interest Paid	277.90
IT Services	22.00
Meals & Entertainment	896.21

# Evans Garment Restoration II dba Lyons Restores

## Profit and Loss

January 2024

	TOTAL
Office Supplies & Software	742.02
Office/ General Administrative expenses	
Background Checks/Corp Profiles	25.00
Office-Accounting	1,567.58
<b>Total Office/ General Administrative expenses</b>	<b>1,592.58</b>
Payroll Expenses	
Employee Benefits	332.02
Employee Liabilities	-479.48
Employer Liability - Fed U/E	31.38
Employer Liability - Medicare	75.84
Employer Liability - Soc Sec	324.28
Paychex Fees	1,241.55
Salary	5,907.78
<b>Total Payroll Expenses</b>	<b>7,433.37</b>
Reimbursable Expenses	784.88
Travel	
Flights	247.80
Hotels	719.50
<b>Total Travel</b>	<b>967.30</b>
Unapplied Cash Bill Payment Expense	0.00
<b>Total Expenses</b>	<b>\$21,573.29</b>
<b>NET OPERATING INCOME</b>	<b>\$43,241.44</b>
<b>NET INCOME</b>	<b>\$43,241.44</b>

**EXHIBIT E**  
**TO EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

## **FRANCHISE AGREEMENT**

**DATA SHEET**

Franchisee: \_\_\_\_\_

Guarantor(s): \_\_\_\_\_

Effective Date: \_\_\_\_\_

Existing Business Address: \_\_\_\_\_

Territory: \_\_\_\_\_

Account Manager: \_\_\_\_\_

Plant Manager: \_\_\_\_\_

Coordinator: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Ownership of Franchisee: \_\_\_\_\_

Name	% Owned
------	---------

Name	% Owned
------	---------

Name	% Owned
------	---------

## **TABLE OF CONTENTS**

<b>RECITALS</b>	<b>1</b>
<b>1 GRANT OF LICENSE</b>	<b>2</b>
<b>2 TERM AND RENEWAL</b>	<b>3</b>
<b>3 FEES</b>	<b>4</b>
<b>4 PROPRIETARY MARKS</b>	<b>7</b>
<b>5 CONFIDENTIAL INFORMATION</b>	<b>10</b>
<b>6 FRANCHISOR'S OBLIGATIONS</b>	<b>11</b>
<b>7 FRANCHISEE'S OBLIGATIONS</b>	<b>12</b>
<b>8 TRAINING</b>	<b>19</b>
<b>9 INSURANCE</b>	<b>20</b>
<b>10 FINANCIAL RECORDS AND REPORTS</b>	<b>22</b>
<b>11 BOOKS AND RECORDS</b>	<b>22</b>
<b>12 ADVERTISING</b>	<b>22</b>
<b>13 INDEPENDENT CONTRACTOR; INDEMNIFICATION</b>	<b>26</b>
<b>14 SALE OR TRANSFER</b>	<b>27</b>
<b>15 BREACH AND TERMINATION</b>	<b>31</b>
<b>16 RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION</b>	<b>34</b>
<b>17 COVENANTS</b>	<b>36</b>
<b>18 DISPUTE RESOLUTION</b>	<b>37</b>
<b>19 REPRESENTATIONS</b>	<b>40</b>
<b>20 GUARANTEE OF PRINCIPALS AND THEIR SPOUSES</b>	<b>41</b>
<b>21 NOTICES</b>	<b>41</b>
<b>22 MISCELLANEOUS</b>	<b>41</b>
<b>23 ACKNOWLEDGMENTS</b>	<b>43</b>

### **Exhibits**

Exhibit A: Personal Guaranty  
Exhibit B: Confidentiality and Restrictive Covenant Agreement  
Exhibit C: Electronic Funds Withdrawal Authorization  
Exhibit D: Depot Addendum to the Franchise Agreement  
Exhibit E: Software Sublicense Agreement

**EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE AGREEMENT**

THIS AGREEMENT (the “Agreement” or “Franchise Agreement”) is entered into and made effective on \_\_\_\_\_ (the “Effective Date”) by and between Evans Garment Restoration II, LLC, a Tennessee limited liability company with its principal business address of 1750 Transport Avenue, Memphis, Tennessee 38116 (“Franchisor”) and the Franchisee identified in the attached Data Sheet (“Franchisee”).

**RECITALS**

**WHEREAS**, Franchisor and its principals and affiliates have expended a considerable amount of time, effort, and money to develop a system for the operation of licensed businesses utilizing proprietary processes for providing garment restoration services (the “System”). The System includes, without limitation, such proprietary restoration processes as Franchisor may designate (the “Proprietary Processes”) and certain proprietary products and/or inventory, including without limitation, proprietary laundry chemicals, soft goods cleaning and finishing chemicals, marking tags and ribbons and/or other proprietary items that Franchisor creates and/or brands with one (1) or more of its Proprietary Marks (the “Proprietary Products”), to provide restoration services and related products and services (including, but not limited to, pick-up, delivery, cleaning, storing, onsite cleaning, contents manipulation, personal property inventories), for personal property such as furniture, bric-a-brac, appliances, area and oriental rugs, clothing, shoes, purses and other bags, bedding, draperies, artwork, electronics affected by a casualty loss such as fire, water, weather, or mold. (the “Restoration Services”);

**WHEREAS**, Franchisor is engaged in the business of granting licenses to operate a conversion business (“Franchised Business”) or satellite depot business (“Depot”) utilizing the System (each, a “Franchised Business” or “Business”);

**WHEREAS**, Franchisor and its franchisees use various trade names, trademarks, and service marks including, without limitation, the trademarks “Evans®” and “Lyons Restores™” (and design) and such other marks as Franchisor may designate (the “Proprietary Marks”). The rights to all such Proprietary Marks as are now, or shall hereafter be, designated as part of the System shall be owned exclusively by Franchisor or its principals or affiliates and be used for the benefit of Franchisor, its affiliates and Franchisor’s franchisees to identify to the public the source of the products and services marketed thereunder;

**WHEREAS**, Franchisee, who currently operates an existing business offering retail dry-cleaning and/or other services comparable to the Restoration Services, and/or related services (the “Existing Business”), desires to enter into an agreement with Franchisor to obtain the right to operate a Business using the System, the distinguishing characteristics of which include a process and distinctive standards and specifications for Restoration Services, and procedures for operating a Business in the manner set forth in this Agreement and in Franchisor’s operations manual (the “Operations Manual”, as defined more fully in Section 6.1 of this Agreement), as modified from time to time; and

**WHEREAS**, Franchisee has applied to Franchisor for a license to operate a Business and such application has been approved in reliance upon all of the representations made therein.



**NOW, THEREFORE**, in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, Franchisor and Franchisee hereby agree as follows:

## **1 GRANT OF LICENSE**

**1.1 Grant and Acceptance.** Franchisor hereby grants to Franchisee, upon the express terms and conditions contained in this Agreement, and Franchisee hereby accepts, a license for the right to establish and operate one (1) Business in a designated geographic area, under the System and Proprietary Marks identified below, and the right to use the System and Proprietary Marks in the operation of the Business. Franchisor has the right to supplement, improve or otherwise modify the System from time to time in Franchisor's sole discretion, and Franchisee agrees to comply with all changes which may include, without limitation, the offer and sale of new or different products or services as Franchisor may specify. The foregoing grant to Franchisee does not include any right to: (i) offer any product or service via e-commerce; (ii) establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof; (iii) sell merchandise via wholesale; or (iv) otherwise distribute, market, or implement Franchisor's products and services in any channel of distribution not specifically identified in this Agreement.

**1.1.1 Reservation of Rights.** Franchisee expressly understands and agrees that Franchisor and Franchisor's affiliates shall have the right, in Franchisor's sole discretion, to: (i) own and operate Businesses and license others the right to own and operate Businesses at any location(s) under the Proprietary Marks and System outside of Franchisee's Territory; (ii) own and operate businesses or license to others the right to own and operate businesses of any type under different marks at any location(s); (iii) use the Proprietary Marks and System in connection with selling services and products, promotional and marketing efforts, or related items, in alternative channels of distribution, including but not limited to direct marketing such as the Internet, telemarketing or mail order catalogs, without regard to location; (iv) use the Proprietary Marks to conduct marketing and promotional efforts inside of Franchisee's Territory (as defined in Section 1.3) on behalf of the System; (v) negotiate and enter into agreement with and provide services to National Accounts (as defined in Section 1.4); and (vi) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in this Agreement.

**1.2 Location.** Franchisee may operate the Business only at the premises of the Existing Business (the "Existing Facility"), which is identified in the Data Sheet. Franchisor shall have the right to inspect and approve the Existing Facility, as provided in Section 7.1. Franchisee may not relocate the Business without Franchisor's prior written consent.

**1.3 Territory.** Franchisee will be granted an exclusive territory in connection with the license granted by this Agreement, as defined in the attached Data Sheet (the "Territory"). Except as otherwise provided in this Agreement, for so long as Franchisee complies with the terms and conditions hereof, Franchisor will not establish and operate, nor license any party other than Franchisee to establish and operate Businesses within the Territory. Franchisor and its affiliates retain all other rights, including without limitation, those rights set forth in Sections 1.4 through 1.7 of this Agreement. Franchisee shall only be permitted to provide services to customers residing in the Territory, provided, however, that under certain conditions, as set forth in the Operations Manuals (as defined in Section 6.1 of this Agreement), Franchisee may provide services to customers who

reside outside of the Territory; provided, however, that Franchisee must participate in Franchisor's then-current revenue sharing program if such services are performed in another System franchisee's Territory. All sales and other activities conducted within or outside the Territory must be conducted in accordance with the terms of this Agreement and Franchisor's operating methods, standards and specifications as set forth in the Operations Manual.

1.4 **National Accounts.** Franchisor shall have the exclusive right, unless otherwise specifically delegated in writing, on behalf of itself, Franchisee, and/or other franchisees utilizing the Proprietary Marks, to negotiate and enter into agreements or approve forms of agreement to provide services to "National Account" customers. These National Account customers can be national or regional insurance companies, third party administrators, or restoration or mitigation contractors. This term can also include any customer which on its own behalf or through agents, franchisees, or other third parties owns, manages, controls or otherwise has responsibility for a business in more than one (1) location. Any dispute as to whether a particular customer is a National Account shall be determined by Franchisor in its sole discretion and Franchisor's determination shall be final and binding. For the purposes of this agreement, all work Franchisee performs for National Account customers shall be referred to as "Program Work" and all other work shall be referred to as "Non-Program Work". So long as Franchisee is in substantial compliance with the terms of this Agreement and any other agreements between itself and Franchisor, Franchisee may perform Program Work pursuant to the terms and conditions of the National Account contract or on such terms and conditions as Franchisor in its discretion determines are appropriate. If Franchisee fails to confirm that it will be handling an Account-related project within the time specified by Franchisor, after being offered the opportunity by Franchisor, Franchisor shall have the right, exercisable in its sole discretion, to (i) provide, directly or through any affiliate or other franchisee, services to the National Account customer; and/or (ii) contract with another party to provide such services to the National Account customer.

## 2 TERM AND RENEWAL

2.1 **Term.** The initial term of the license is for a period of five (5) years that will begin on the date that both Franchisee and Franchisor execute this Agreement.

2.2 **Renewal.** Franchisee has the right to renew this Agreement for two (2) successive, additional five (5) year periods, provided Franchisee has met the following conditions:

2.2.1 Franchisee has notified Franchisor of Franchisee's intention to renew this Agreement in writing no less than ninety (90) days and no more than one-hundred eighty days (180) prior to expiration of the current term;

2.2.2 Franchisee has demonstrated to Franchisor's satisfaction that Franchisee has the right to operate the Business at the Existing Facility for the duration of the renewal term; or, if Franchisee is unable to operate the Business at the Existing Facility, Franchisee has secured a substitute location which Franchisor has approved in writing;

2.2.3 Franchisee has completed, to Franchisor's satisfaction, no later than ninety (90) days prior to the expiration of the then-current term, all maintenance, refurbishing, renovating, updating and remodeling of the Business premises, and any maintenance or upgrading

of required hardware and software, necessary to bring the Business and all equipment into full compliance with Franchisor's then-current System standards and specifications;

2.2.4 Franchisee is not in default under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, or Franchisor's approved/designated suppliers and vendors, and Franchisee has substantially complied with all such agreements during their respective terms;

2.2.5 Franchisee has satisfied all monetary obligations Franchisee owes Franchisor, Franchisor's affiliates, and Franchisor's approved/designated suppliers and vendors;

2.2.6 Franchisee executes Franchisor's then-current form of Franchise Agreement, the terms of which may vary materially from the terms of this Agreement and may include, without limitation, increased royalty fees and advertising obligations;

2.2.7 Franchisee satisfies Franchisor's then-current training requirements for renewing franchisees at Franchisee's expense, as of the date of such renewal, if any;

2.2.8 Franchisee provides proof of compliance with Franchisor's then-current insurance requirements;

2.2.9 Franchisee signs a general release, in the form Franchisor prescribes in favor of Franchisor and its affiliates and their respective officers, directors, agents, and employees, for all claims arising out of or related to this Agreement or any related agreements with Franchisor or its affiliates. The release shall not be inconsistent with any applicable state statute regulating franchises and licenses; and

2.2.10 Franchisee pays Franchisor a renewal fee equal to \$5,000.

### **3 FEES**

3.1 **Initial Franchise Fee.** In consideration of the license granted to Franchisee by Franchisor, Franchisee must pay Franchisor an initial license fee of \$40,000, payable in full in a lump sum at the time Franchisee signs the Franchise Agreement (the "Initial Franchise Fee"). The Initial Franchise Fee is non-refundable and is deemed fully earned upon payment in consideration of administrative and other expenses Franchisor incurs in granting the license and for Franchisor's lost or deferred opportunity to license others.

3.2 **Royalty Fee.** Royalties are based on "Gross Sales," as defined in Section 3.2.2 below. Franchisee must pay Franchisor a monthly royalty fee equal to the greater of: (i) six percent (6%) of Gross Sales; and the Minimum Royalty (as defined in Section 3.2.1 below) (the "Royalty Fee"). The Royalty Fee is calculated based on sales data for the previous Monday through Sunday and is due and collected by Franchisor on Friday of each subsequent week, or on such other day as Franchisor may from time to time determine.

3.2.1 **Minimum Royalty.** Once Franchisee has been open and operating its Franchised Business for a period of one (1) year, Franchisee will be required to pay Franchisor a Minimum Royalty based on (a) the population in Franchisee's Territory(ies), and (b) how long

Franchisee has been open and operating, in accordance with the following schedule (the “Minimum Royalty”):

<b>Year of Operation</b>	<b>Territory Containing Less than 1,000,000 Households</b>	<b>Territory Containing 1,000,000 or More Households</b>
2nd Year (starting in Month 13)	\$1,000/month	\$1,500/month
3 <sup>rd</sup> Year (starting in Month 25)	\$1,250/month	\$2,000/month
4 <sup>th</sup> Year (starting in Month 37)	\$1,500/month	\$2,500/month
5 <sup>th</sup> Year (starting in Month 49)	\$1,500/month	\$3,000/month

Each month Franchisor will average the amount that Franchisee paid in the previous three (3) months. In the event that Franchisee’s average Royalty payment over the applicable three-month period does not equate to the Minimum Royalty, then Franchisee will owe Franchisor a Royalty Fee equal to the difference between what Franchisee paid for the current month in Royalties and what is required based on the chart above.

**3.2.2 Gross Sales.** “Gross Sales” includes all revenues Franchisee actually collects in consideration of Restoration Services conducted at or from Franchisee’s Business during the preceding reporting period, including amounts received, whether from a partial payment or a payment in full, from the sale and delivery of services, products, merchandise, and tangible property related to the Restoration Services, whether in cash or for credit. All revenue Franchisee collected from non-restoration services offered at the Existing Facility (the “Other Revenue”) shall not be included Gross Sales. In the event that Franchisee participates in any discount promotion that is required by a National Account customer, Gross Sales shall include the amount actually collected for the Restoration Services rendered to the National Account customer after any discounts. No deductions shall be made for any other discounts, commissions, referral fees, expenses or other adjustments not approved in writing by Franchisor. Gross Sales does not include the amount of any applicable sales tax imposed by any federal, state, municipal, or other governmental authority if the taxes are stated separately when the customer is charged and Franchisee pays taxes as and when due to the appropriate taxing authority. Also excluded from Gross Sales is the amount of any documented refunds, chargebacks, credits, and allowances given to customers in good faith and in accordance with Franchisor’s operating procedures. No other fees or expenses, including without limitation any referral fees, may be deducted from Gross Sales other than those explicitly enumerated in this paragraph. All barter and exchange transactions for which Franchisee furnishes services or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier, or customer will be valued at the full retail value of the goods or services provided to Franchisee.

### **3.3 Sales Reports**

**3.3.1 DASH Reports.** Franchisee must input all jobs involving Restoration Services (each, a “Job”) into Franchisor’s proprietary claims management software (the “DASH Software”), along with all information regarding the Gross Sales earned from each Job and any other information required by Franchisor, as soon as possible after receiving notification of the Job. Franchisor shall have independent access to such reports inputted into the DASH Software. Franchisee must execute the form of software sublicense agreement attached hereto as Exhibit E (the “Software Sublicense Agreement”).

3.3.2 **Revenue Reports.** Franchisee shall be required to provide profit and loss statements and such other records and financial statements as Franchisor may designate pursuant to Section 10 of this Agreement. Such profit and loss statements must be prepared using QuickBooks® and must designate all revenue collected during the preceding reporting period (the “Revenue Reports”). Such Revenue Reports must further provide separate figures for the total sum of the Other Revenue and the total sum of Gross Sales collected by the Business during the preceding reporting period. If Franchisee fails to submit any report within five (5) days of the applicable reporting period, then Franchisee shall pay Franchisor a late report fee equal to \$100 per report (the “Late Report Fee”).

3.4 **Brand Development Fund Contribution.** On Friday of each week for business conducted during the previous Monday through Sunday, Franchisee must pay to Franchisor a fee equal to two percent (2%) of Gross Sales (the “Fund Contribution”), which represents Franchisee’s contribution to the brand development fund (the “Fund”). Franchisor reserves the right to increase the Fund Contribution in the future. Franchisor may, but is not required to, establish a committee (the “Fund Committee”) to determine appropriate expenditures of the Fund. The Fund Contribution is due immediately upon commencing operations and is payable in the same manner and according to the same payment schedule as the Royalty Fee.

3.5 **Software Fee.** Franchisee must pay Franchisor a monthly software support fee and annual software license fee in an amount equal to the then-current fees specified by Franchisor and/or a third-party software provider (collectively, the “Software Fee”). The Software Fee is currently (i) \$2,000 per year plus \$510 per month for a Principal Location, and (ii) \$150 per month per Depot Location. Franchisor reserves the right to change the amount of the Software Fee at any time. Franchisee acknowledges that the Software Fee is in consideration of Franchisee’s access to the DASH Software, and any other Software Franchisor requires Franchisee to use. Franchisee further acknowledges and agrees that Franchisor owns all information and intellectual property input into or otherwise stored in the DASH Software.

3.6 **Technology Fee.** Franchisor may determine to provide Franchisee with access to certain technology and related services, and charge Franchisee Franchisor’s then-current technology fee for such access/services (the “Technology Fee”). The Technology Fee is currently \$11.65 to \$25.25 per user per month, and Franchisee must pay the Technology Fee in connection with three (3) licenses (Owner, Coordinator, and Account Manager). The Technology Fee will start approximately one month prior to opening the Franchised Business.

3.7 **Annual Franchise Fee.** Franchisee must pay Franchisor a yearly franchise fee equal to \$5,000 each year the Franchise Agreement is in effect (the “Annual Franchise Fee”). This Annual Franchise Fee shall pay for Franchisor support and oversight services, or any other use the Franchisor has from time to time determines is appropriate.

3.8 **Manner of Payment.** Payment of the Royalty Fee, Fund Contribution and any other fees owed to Franchisor shall be made on a weekly basis unless a different payment schedule is specified, and shall be by an electronic funds transfer program (the “EFT Program”) under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor, from Franchisee’s bank account. Franchisee shall deposit all revenues from operation of Franchisee’s Business into one (1) bank account within seven (7) days of receipt, including cash, checks, and credit card receipts. Before opening

Franchisee's Business, Franchisee shall provide Franchisor with Franchisee's bank name, address and account number, a voided check from such bank account, and shall sign and give to Franchisor and Franchisee's bank all documents, including Exhibit C to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement by such other means as Franchisor may specify from time to time.

**3.9 Failure to Pay Fees.** Any late payment or underpayment of the Royalty Fee, Fund Contribution, or any other charges or fees Franchisee owes Franchisor or Franchisor's affiliates, will bear interest from the due date until paid at the lesser of eighteen percent (18%) interest per annum or the highest lawful interest rate which may be charged for commercial transactions in the state in which Franchisee's Business is located, calculated on a daily basis. Additionally, Franchisee shall be required to pay a late fee of fifty dollars (\$50) per week for each week in which such payment is not received by Franchisor or its affiliate. Nothing contained in this Section shall prevent Franchisor from exercising, in Franchisor's sole judgment, any other rights or remedies available to Franchisor under this Agreement.

**3.10 Taxes on Payments.** In the event any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment Franchisee makes to Franchisor, Franchisee must, in addition to all payments due to Franchisor, pay such tax, levy or assessment.

**3.11 No Right to Set Off.** Franchisee will not be allowed to set off amounts owed to Franchisor for Royalty Fees or other amounts due under this Agreement against any monies owed by Franchisor to Franchisee, which right of set off is hereby expressly waived by Franchisee.

**3.12 Fees to Third Party Administrators.** Franchisee may be required to pay additional fees to third parties in order to comply with the requirements and quality standards of National Accounts, as directed by Franchisor from time to time.

## **4 PROPRIETARY MARKS**

### **4.1 Franchisee's Use of the Proprietary Marks and Other Proprietary Material.**

**4.1.1** Franchisee shall use only the Proprietary Marks which Franchisor designates and shall use them only in the manner Franchisor authorizes and permits.

**4.1.2** Franchisee shall use the Proprietary Marks only for the operation of the Business and only at the Existing Facility and in advertising for the Business.

**4.1.3** Franchisee shall use all Proprietary Marks without prefix or suffix and in conjunction with the symbols "TM," "SM," "S," or "®," as applicable. Franchisee may not use the Proprietary Marks in connection with the offer or sale of any services or products which Franchisor has not authorized for use in connection with the System. Franchisee may not use the Proprietary Marks as part of Franchisee's corporate or other legal name. Franchisee's corporate name and all fictitious names under which Franchisee proposes to do business must be approved by Franchisor in writing before use. Franchisee must (a) use Franchisee's corporate or limited liability company name

either alone or followed by the initials “D/B/A” and the Proprietary Mark that Franchisor Designated, and (b) at and only upon Franchisor’s request (or consent) in writing, promptly register at the office of the county in which Franchisee’s Business is located, or such other public office as provided for by the laws of the state in which Franchisee’s Business is located, as doing business under such assumed business name.

4.1.4 Franchisee must identify itself as the franchise owner of the Business (in the manner Franchisor prescribes) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, customer forms and questionnaires, business stationery, and advertisements, as well as at such conspicuous locations as Franchisor may designate in writing at the Business premises.

4.1.5 Franchisee must prominently display the Proprietary Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that Franchisor designates and in the manner that Franchisor prescribes to give notice of trade and service mark registrations and copyrights.

4.1.6 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 of Franchisor’s rights.

4.1.7 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on Franchisor’s behalf.

4.1.8 Franchisee shall execute all documents Franchisor deems necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

4.1.9 Franchisee must promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks or of the DASH Software, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor’s ownership of, Franchisor’s right to use and to license others to use, or Franchisee’s right to use, the Proprietary Marks, the DASH Software, any proprietary merchandise, or the Operations Manual (collectively the “Proprietary Material”).

4.1.10 Franchisee expressly understands and acknowledges that:

4.1.10.1 Franchisor owns all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and Franchisor has the right to use, and license others to use, the Proprietary Marks;

4.1.10.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System;

4.1.10.3 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of, or Franchisor’s ownership of, or right to use and to license others to use, the Proprietary Marks or any other Proprietary Material;

4.1.10.4 Franchisee's use of the Proprietary Marks or other Proprietary Material does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks or other Proprietary Material;

4.1.10.5 Any and all goodwill arising from Franchisee's use of the Proprietary Material shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System, the Proprietary Marks, or any other Proprietary Material;

4.1.10.6 The license of the Proprietary Marks granted to Franchisee hereunder is nonexclusive and Franchisor retains the right, among others: (i) to use the Proprietary Marks itself in connection with selling products and services; (ii) to grant other licenses for the Proprietary Marks; and (iii) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

4.1.10.7 Franchisor reserves the right, in Franchisor's sole discretion, to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. Franchisee shall discontinue using all Proprietary Marks which Franchisor has notified Franchisee, in writing, have been modified or discontinued within ten (10) days of receiving written notice and, at Franchisee's sole cost and expense, shall promptly begin using such additional, modified or substituted Proprietary Marks.

4.1.11 Franchisor may permit Franchisee to continue utilizing the Existing Business' trademarks and trade names so long as Franchisee uses the Proprietary Marks in connection with the Existing Business as Franchisor designates.

**4.2 Litigation Relating to the Marks.** Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Franchisor's rights to the Proprietary Marks. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, Franchisor shall bear the cost of such defense, including the cost of any judgment or settlement. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, Franchisee shall bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts which may, in Franchisor's opinion, be necessary to carry out such defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for Franchisee's out-of-pocket costs in performing such acts.



## 5 CONFIDENTIAL INFORMATION

5.1 **Nondisclosure.** During the term of this Agreement, Franchisee will receive information which Franchisor considers its trade secret and confidential information, including but not limited to standards and specifications for providing Restoration Services and using related equipment, the DASH Software, and the Operations Manual (“Confidential Information”). Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information including, without limitation, trade secrets, standards and specifications for the Business, information regarding Proprietary Products, guidelines for hiring, training, retaining, promoting and supporting the Business’s personnel, information regarding System suppliers, Franchisor’s Proprietary Processes, all data accessed through software, including without limitation DASH Software and such other designated programs, Franchisor’s copyrighted materials, and any other goods or services offered or authorized for sale by System franchisees, and all other methods and other techniques and know-how concerning the of operation of the Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee’s operation of the Business. Franchisee also acknowledges and agrees that certain information concerning customers, insurance adjusters, insurance agents, insurance companies, insurance company affiliates, general contractors or re-construction services, content cleaning companies, third-party administrators and any other current or prospective customers including (i) names and addresses, (ii) information about credit extensions, (iii) purchasing histories, (iv) rates charged, and (v) sources of suppliers, also constitute the trade secrets and Confidential Information of Franchisor. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will also be deemed Confidential Information for purposes of this Agreement. Franchisee further acknowledges and agrees that any personally identifiable information that Franchisee accesses through the Business, such as any information that can be used to uniquely identify, contact, or locate an individual, either alone or in conjunction with other sources, including without limitation a customer’s name, Social Security number, driver’s license number, date of birth, place of birth, and other personal information (the “PII”), shall be deemed Confidential Information for purposes of this Agreement.

5.2 **Employees.** Franchisee must require Franchisee’s Principal Operator (as defined in Section 7.6.5 of this Agreement), officers, directors, Account Manager, Plant Manager, Coordinator (as defined in Section 7.6.5.1 of this Agreement), any other managers, and any personnel having access to any of Franchisor’s Confidential Information to execute the form of Confidentiality and Non-Compete Agreement attached as Exhibit B of this Agreement.

5.3 **New Concepts.** If Franchisee, Franchisee’s employees, or Franchisee’s principals develop any new concept, process or improvement in the operation or promotion of the Business, including but not limited to improvements to the Proprietary Processes, the DASH Software, or any other software used in connection with the Business, Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such concept, process or improvement shall become Franchisor’s sole property and Franchisor shall be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. Franchisee and Franchisee’s principals hereby assign to Franchisor any rights Franchisee may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee’s principals agree to assist Franchisor in obtaining

and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentations for obtaining and enforcing such rights. Franchisee and Franchisee's principals hereby irrevocably designate and appoint Franchisor as Franchisee's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions of this Section 5.3 are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

## **6 FRANCHISOR'S OBLIGATIONS**

**6.1 Operations Manual.** Franchisor will loan Franchisee one (1) copy of Franchisor's proprietary and confidential "Operations Manual," the definition of which shall include any manual Franchisor may now or hereafter designate for use in operating a Business. Franchisee shall operate the Business in strict compliance with the Operations Manual, as it may be reasonably changed from time to time. The Operations Manual shall remain confidential and Franchisor's exclusive property. Franchisee shall not disclose, duplicate or make any unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth herein. Franchisee shall ensure that Franchisee's copy of the Operations Manual is current and up to date, and keep a copy of the Operations Manual at the Existing Facility. If there is a dispute relating to the contents of the Operations Manual, the master copy, which Franchisor maintains at Franchisor's corporate headquarters, will control.

**6.2 Start-up and Ongoing Equipment, Inventory and Supplies.** Franchisor will provide standards and specifications for the initial and ongoing equipment, inventory, and supplies used in connection with the Business.

**6.3 Ongoing Assistance.** Franchisor will provide Franchisee continuing consultation and advice as Franchisor deems necessary and appropriate in its sole discretion regarding the management and operation of the Business. Franchisor will provide such assistance, in Franchisor's discretion, by telephone, facsimile, intranet communication and/or on-site visits. If Franchisee requires and requests additional on-site assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor will not charge Franchisee a fee for such assistance, however Franchisee shall be responsible for Franchisor's costs, including travel, meals, lodging, and payroll expenses.

**6.4 Toll-Free Telephone Number.** Franchisor has the right, but not the obligation, to establish and maintain a toll-free telephone number for the purpose of accepting and confirming orders from insurance companies and residential customers nationwide, customer service, and customer follow-up and satisfaction surveys. If Franchisor establishes a toll-free number, Franchisee must comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Operations Manual or otherwise in writing.

**6.5 Annual Conference and Additional Conferences.** Franchisor may, in Franchisor's discretion, hold an annual conference at a location to be selected by Franchisor ("Annual

Conference”). Franchisor shall determine the topics and agenda for such conference to serve the purpose of, among other things, updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor’s personnel regarding Business operations and programs, and recognizing franchisees for their achievements. Franchisor may require Franchisee to attend the Annual Conference and to pay Franchisor’s then-current registration fee. All expenses, including Franchisee’s and Franchisee’s employees’ transportation to and from the Annual Conference, and lodging, meals, and salaries during the Annual Conference, are Franchisee’s sole responsibility. Franchisor may use expenditures from the Fund for purposes related to the Annual Conference, including costs related to productions, programs, and materials. In addition to the Annual Conference, Franchisor may, in Franchisor’s discretion, hold semi-annual or quarterly meetings for the purpose of updating franchisees on new development and exchanging information with franchisees. Franchisor may require Franchisee to attend such meetings and to pay Franchisor’s then-current registration fee, if such a fee exists.

**6.6 Training.** As described in Section 8 herein, Franchisor shall provide initial training programs. Franchisor may, in Franchisor’s sole discretion, hold refresher and ongoing training courses, or training courses upon a significant change to the System, including sales training and support for Account Manager(s), production training for Plant Manager, and/or customer requirement and program compliance training for Coordinator, in order to provide additional assistance to Franchisee. Franchisor may require Franchisee and Franchisee’s employees to attend such training at its then-current fee for providing such training. All expenses, including Franchisee and Franchisee’s employees’ transportation, meal, and lodging expenses to attend such training, shall be Franchisee’s sole responsibility.

**6.7 National Accounts.** Franchisor shall maintain relationships with National Accounts.

## **7 FRANCHISEE’S OBLIGATIONS**

**7.1 Existing Facility Buildout.** Franchisee shall operate the Business from the Existing Facility. Franchisee must ensure that the Existing Facility conforms to Franchisor’s then-current standards and specifications for a Business, as set forth in the Operations Manual. Franchisor may, but is not obligated to, provide support in the buildout of the Existing Facility. Franchisor has the right to inspect the Existing Facility prior the Business’s opening to ensure compliance with Franchisor’s specifications for the equipment installation, storage capacity, and such other criteria as Franchisor may set forth in the Operations Manual or otherwise in writing.

**7.1.1** The Existing Facility shall conform to Franchisor’s standards and specifications for the appearance, layout, and design of a Business.

**7.1.2 Relocation.** If, for any reason, the lease term is shorter than the term of this Agreement and the lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Existing Facility, Franchisee must relocate Franchisee’s Business to a mutually acceptable site within Franchisee’s Territory to complete the unexpired portion of the term of this Agreement. Franchisee must notify Franchisor of Franchisee’s intention to relocate and procure a site acceptable to Franchisor within ninety (90) days prior to closing operations at Franchisee’s current Existing Facility. Franchisee must obtain a lease acceptable to Franchisor, as evidenced by Franchisor’s written approval, for Franchisee’s new facility, build out the new facility to Franchisor’s

standards and specifications, and open for business at the new facility within thirty (30) days of closing business at Franchisee's Existing Facility. Franchisee shall be solely responsible for any expenses incurred by Franchisor in approving the new facility, including any travel, meal, lodging, and payroll expenses associated with approving a new location, and all costs related to buildout.

**7.2 Training.** Franchisee or Franchisee's Principal Operator, as applicable, and Franchisee's Plant Manager must attend and successfully complete Franchisor's initial training program as set forth in Section 8.

**7.3 Opening Requirements.** Franchisee shall commence operations of the Business within (i) six (6) months of the Effective Date of this Agreement in connection with any conversion of an Existing Facility to a Franchised Business or any franchised Depot Location, or (ii) 12 months of the Effective Date of this Agreement with respect to a new Franchised Business operating from a Principal Location. Franchisee may not open the Business before: (a) successful completion of the initial training program in accordance with Section 8.1; (b) Franchisee purchases all required insurance; (c) Franchisee obtains all required licenses, permits and other governmental approvals; and (d) Franchisor provides its written approval of the provision of Restoration Services at the Existing Facility. Franchisee must send Franchisor a written notice identifying the Business's proposed opening date at least fourteen (14) days before opening. Franchisor may conduct a pre-opening inspection of the Business and Franchisee agrees to make any changes Franchisor requires before opening. By virtue of opening the Business, Franchisee acknowledges that Franchisor has fulfilled all of its pre-opening obligations to Franchisee.

#### **7.4 Purchasing Requirements.**

**7.4.1 Compliance with Standards.** Franchisee acknowledges and agrees that Franchisee's obligations set forth in this Agreement and the Operations Manual are reasonable and necessary for the operation of the Business and to maintain uniformity throughout the System. Franchisee shall adhere to the standards and specifications set forth in this Agreement and the Operations Manual and any revisions or amendments to same. Franchisee shall use signs, furnishings, supplies, fixtures, equipment and inventory which comply with Franchisor's then-current standards and specifications (including, without limitation, standards and specifications for offering Restoration Services and related products and services; and other equipment, furnishings, fixtures and signage) which Franchisor establishes from time to time. Franchisor has the right to change Franchisor's standards and specifications in Franchisor's discretion. Franchisee acknowledges that it may incur an increased cost to comply with such changes at Franchisee's expense.

**7.4.2 Designated and Approved Suppliers.** Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase certain signs, furnishings, supplies, fixtures, computer hardware and software, and other equipment and inventory from Franchisor or from approved or designated third party suppliers as Franchisor shall specify, from time to time, in the Operations Manual and otherwise in writing. Franchisee hereby acknowledges that Franchisor, Franchisor's affiliate and/or a third party may be one of several, or the only, approved supplier of any item, including restoration equipment and supplies. Franchisee further acknowledges and agrees that Franchisor and/or Franchisor's affiliates have the right to realize a profit on any items that Franchisor, Franchisor's affiliates or Franchisor's designated and approved suppliers supply to Franchisee.

**7.4.3 Supplier Approval.** In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee or the supplier must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisee must also pay Franchisor an application fee of two hundred fifty dollars (\$250) for each supplier/product that Franchisee submits to Franchisor for testing. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Nothing herein shall require Franchisor to approve an unreasonable number of suppliers for a given item, which approval might, in Franchisor's reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. Franchisor may revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Franchisee must use products purchased from approved suppliers solely in connection with the operation of Franchisee's Business and not for any competitive business purpose.

**7.4.4 System Suppliers.** Franchisor may establish business relationships, from time to time, with suppliers who may produce, among other things, signage, computer and point of sale systems, software, furnishings, supplies, fixtures, equipment and inventory according to Franchisor's proprietary standards and specifications and private label goods which Franchisor has authorized and prescribed for sale by System franchisees ("System Suppliers"). Franchisee recognizes that such products are essential to the operation of the Business and to the System generally. Franchisee further recognizes that Franchisee's failure to pay System Suppliers may interfere with such suppliers' willingness to supply the System which may result in other System franchisees' inability to obtain products or ability to obtain products only on less favorable credit terms. Accordingly, Franchisee agrees to pay System Suppliers as and when due.

**7.5 Authorized Products and Services.** Franchisee shall offer for sale all products and services that Franchisor designates for the System. Franchisee further agrees to only sell those goods and services which Franchisor prescribes. Franchisee may not offer any other products for sale, rent or lease without having received Franchisor's prior written authorization. Franchisee shall at all times maintain sufficient levels of inventory to adequately satisfy consumer demand, and Franchisee shall maintain its restoration equipment in good repair as specified in the Operations Manual. Franchisee must also offer and sell all Proprietary Products which Franchisor may now or in the future designate for sale by System franchisees.

## **7.6 Operations.**

7.6.1 Franchisee must operate Franchisee's Business for at least those months, hours and days that Franchisor specifies in the Operations Manual.

7.6.2 Franchisee must maintain the Business premises in a clean, safe and attractive manner, and in accordance with all applicable requirements of law, including all federal, state and local health and environmental laws or regulations, and the Operations Manual. Franchisee and Franchisee's employees must give prompt, courteous and efficient service to the public and otherwise operate the Business so as to preserve, maintain and enhance the reputation and goodwill of the System.

7.6.2.1 Franchisee shall provide the Restoration Services and sell other approved products and services strictly in accordance with Franchisor's techniques and processes for providing such services, as Franchisor may state in the Operations Manual or otherwise in writing. Such products and services may only be sold using Franchisor's System and Proprietary Marks. Franchisee acknowledges that such operational procedures are integral to the System and failure to strictly adhere to such procedures shall be detrimental to the System and Proprietary Marks and shall constitute a default of this Agreement.

7.6.3 Franchisee must employ a sufficient number of qualified, competent personnel, offer prompt, courteous and efficient service to the public, and otherwise operate the Business in compliance with the System so as to preserve, maintain and enhance the reputation and goodwill of the System. All employees engaged in the operation of Franchisee's Business during working hours shall dress conforming to Franchisor's standards, and shall present a neat and clean appearance in conformance with Franchisor's reasonable standards and shall render competent, efficient service to the customers of the Business.

7.6.4 Franchisee agrees to conduct the Business in accordance with the Operations Manual. Franchisee shall immediately train and instruct Franchisee's employees in accordance with the Operations Manual, and shall continue such training and instruction as long as each employee is employed. The Operations Manual shall set forth the practices, procedures, and methods to be utilized in operating a Business, and Franchisor may require Franchisee to conform Franchisee's practices to national programs, which Franchisor has designed and promulgated as part of Franchisor's System, including changes in products and services offered, seasonal discounts, and promotional campaigns.

7.6.5 Franchisee or at least one (1) of Franchisee's principals if Franchisee is a corporation, partnership or limited liability company, must personally supervise the day-to-day operations of the Business (the ("Principal Operator")). The Principal Operator must devote personal full-time attention and best efforts to the management and operation of the Business. Franchisee may, however, appoint a Principal Operator that is not a principal or officer of Franchisee, subject to Franchisor's approval. Franchisee's Principal Operator must successfully complete Franchisor's initial training program before assuming any managerial responsibility. Franchisee's Business must, at all times, have as a member of its staff at least one (1) individual, who has successfully completed Franchisor's initial training program as set forth in Section 8.1. In the event that Franchisee operates more than one Business, Franchisee may have a properly trained Principal Operator serve as the Principal Operator at multiple Businesses, so long as the Principal Operator only works for

Businesses that are operated by the same Franchisee. Franchisee shall keep Franchisor informed at all times of the identity of any employee acting as Principal Operator of a Business. In the event that a Principal Operator resigns or is otherwise terminated from Franchisee's Business, Franchisee shall hire a replacement who meets Franchisor's then-current standards for Principal Operators within thirty (30) days after termination or resignation of the prior Principal Operator. The new Principal Operator must complete initial training to Franchisor's satisfaction within sixty (60) days of hiring, subject to the availability of Franchisor's personnel. Any Principal Operator(s) shall devote full time and best efforts to the day-to-day operation and management of the Business and shall not engage in any other business activity without Franchisor's prior written consent.

7.6.5.1 Franchisee must employ the following personnel at the franchised Business: (i) a designated full-time sales person, who will be responsible for marketing and advertising the Business, as well as generating leads, and all other activities related to promotion of the Business ("Account Manager"); (ii) a full-time principal operator responsible for providing the Restoration Services and executing all operational systems in a manner that complies with Franchisor's requirements set forth in the Operations Manual and elsewhere in writing ("Plant Manager"); and (iii) a full-time customer service professional responsible for scheduling, communications with customers and insurance adjusters, document maintenance and other front-end and compliance responsibilities ("Coordinator"). Franchisee shall require the Account Manager to dedicate full-time attention to the promotion of and generation of leads for the Business, and a Plant Manager must oversee the operation of the Business at all times. The Plant Manager and Coordinator must successfully complete Franchisor's initial training program as set forth in Section 8.1. The Principal Operator may serve as the Plant Manager or Account Manager, or, with Franchisor's approval, may serve as both the Plant Manager and Account Manager. If Franchisor determines at any time and in its sole discretion that the Principal Operator is not able to adequately carry out the responsibilities of both positions, Franchisor will notify Franchisee, and Franchisee will promptly hire additional personnel to serve as either Plant Manager or Account Manager.

7.6.6 Franchisee must at all times maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations and responsibilities hereunder and to operate the business in a businesslike, proper and efficient manner.

7.6.7 Franchisee must at all times maintain sufficient levels of inventory and maintain Franchisee's equipment so as to adequately meet consumer demand.

7.6.8 Franchisee must comply with those performance and quality standards and other requirements imposed by certain National Accounts. Such requirements may include obtaining additional certifications and/or licensure, which may require Franchisee to incur additional costs. Franchisor shall have the right to suspend Franchisee from servicing such National Accounts and/or require Franchisee to complete additional training if Franchisee fails to meet the aforementioned quality standards.

7.6.9 Franchisee must comply with any service level agreements signed with any customer of the Franchisee.

7.7 **Site Evaluation.** Franchisee agrees, that in order to maintain the high quality and uniform standards associated with the System and to protect its goodwill and reputation, Franchisee

will permit Franchisor during business hours, to inspect Franchisee's Business, confer with Franchisee and Franchisee's employees and customers, check inventories, methods and perform any other inspection which Franchisor deems necessary to protect the standards of quality and uniformity of the System and Franchisee's performance under this Agreement. Franchisee is obligated to make changes to Franchisee's operations based upon any inspections by Franchisor.

**7.8 Computer Software and Hardware.** Franchisee shall purchase and use the DASH Software and any and all other computer software programs (collectively, the "Software") which Franchisor has developed or may develop and/or designate for use for the System, and shall purchase a computer with high-speed, reliable internet and such computer hardware as may be necessary for the efficient operation of the Software that Franchisor may designate. Office 365 user accounts or other Software licenses and/or purchases shall be purchased from Franchisor to ensure uniformity. All employees and owners of the Franchised Business that have direct contact with clients and/or customers via email including, without limitation, the Account Manager, Coordinator and Field Representative(s), must have an individual Office 365 account, and this account must be used for all email communication with clients and customers (as described in more detail in the Operations Manual). Franchisee must purchase and use Luxor, ContentsTrack, Xactimate and XactAnalysis software, either directly from Franchisor, or from Xactware, the software Franchisor. Franchisor currently offers the ContentsTrack software license to Franchisees at a discounted rate, however Franchisor is under no obligation to continue to do so. Franchisor has the right to require Franchisee to update or upgrade Franchisee's computer hardware components and software. In addition, Franchisor has the right to require Franchisee to enter into a separate maintenance agreement for such computer hardware and/or Software. Notwithstanding the fact that Franchisee must buy, use and maintain the computer hardware and Software under Franchisor's standards and specifications, Franchisee will have the sole and complete responsibility for: (i) the acquisition, operation, maintenance and upgrading of the computer hardware and Software; and (ii) any and all consequences that may arise if the computer hardware and Software is not properly operated, maintained and upgraded. Franchisee's computer system must comply with all applicable laws, regulations and insurance company policies regarding the storage of PII, including all computer security requirements thereunder. Franchisee acknowledges that compliance with such laws, regulations and policies is Franchisee's sole responsibility.

**7.8.1** Franchisor uses the DASH Software and has developed processes for conducting accounting, inventory and point-of-sale functions and related activities. Franchisee, at Franchisee's own expense, agrees to obtain the computer hardware required to implement the DASH Software and any other Software designated by Franchisor into Franchisee's Business, and to comply with all specifications and standards prescribed by Franchisor regarding all Software as provided from time to time in the Operations Manual. It is possible that Franchisor might not be able to alter Software to accommodate each and every Franchisee of the System, and therefore, at such time that Franchisor requires the implementation of such Software, Franchisee shall only utilize the program as prescribed by Franchisor. Franchisee acknowledges and agrees that all information stored and/or accessed by any Software is the exclusive property of Franchisor and further acknowledges and agrees that any data that Franchisee views or otherwise accesses through any Software designated by Franchisor shall be deemed Confidential Information pursuant to the terms of this Agreement.

**7.9 Area Computer Business, Intranet or Extranet Participation.** Franchisee is required to participate in any System-wide area computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such area computer



network, intranet system, or extranet system to, among other things: (i) submit Franchisee's reports due under this Agreement to Franchisor on-line; (ii) view and print portions of the Operations Manual; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (v) complete any initial or ongoing training, in the event Franchisor makes any portion of such training available online. Franchisee agrees to use the facilities of any such area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor included in the Operations Manual.

**7.10 Personal Conduct.** Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring Franchisor's Proprietary Marks into disrepute.

**7.11 Best Efforts.** Franchisee must use its best efforts to promote the Business and increase the demand for the goods and services of the Business within the Territory. All of Franchisee's advertising and promotion shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the Business or the goodwill associated with the Proprietary Marks and System.

**7.12 Payment of Debts.** Franchisee is solely responsible for selecting, retaining and paying Franchisee's employees, the payment of all invoices for the purchase of goods and services used in connection with operating the Business (including any private label goods and services), and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the opening and operation of a Business. Franchisee agrees to pay all current obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for debts owed by Franchisee if Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between System Suppliers and System franchisees. Franchisee agrees to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise/license taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes arising from Franchisee's operation of a Business. Franchisee agrees to indemnify and hold Franchisor harmless in the event that Franchisor is held responsible for these taxes.

**7.13 Compliance with Applicable Laws.** Franchisee is solely responsible for complying with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Business (including, without limitation, all government regulations relating to occupational hazards and health, and all laws and regulations concerning environmental issues, protection of insurance customers' PII, consumer protection, trade regulation, worker's compensation, unemployment insurance, withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act ("ADA") regarding the construction, design, and operation of the Business). Franchisee will have sole authority and control over the day-to-day operations of the Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

**7.14 Trade Secrets and Confidential Information.** Franchisee must maintain the confidentiality of all Confidential Information as set forth in Section 5 of this Agreement.

**7.15 Image.** Franchisee agrees to offer services and products and to conduct the Business in such a manner which will serve to emulate and enhance the image Franchisor intended for the System. Franchisee further acknowledges and agrees that each aspect of the System is important not only to Franchisee but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve System wide uniformity and increase the demand for services offered by System franchisees. Franchisee agrees to comply with the pricing strategies and other standards, specifications and requirements Franchisor sets forth in order to uniformly convey the distinctive image of a Business. Franchisee shall, in the operation of the Business and in selling merchandise items, use only such displays, labels, forms, and stationary imprinted with the Proprietary Marks and colors as prescribed from time to time by Franchisor.

**7.16 Pending Actions.** Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, suit or proceeding and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of Franchisee or the Business.

**7.17 Standard Maintenance.** At Franchisor's request, Franchisee shall refurbish the Business at Franchisee's expense as Franchisor may direct in order to conform to the building design, trade dress, color schemes, signage and presentation of Proprietary Marks then in effect for new Businesses in the System, including, without limitation, such structural changes, renovations, replacements, remodeling, redecoration, and such modifications to existing improvements and equipment as may be necessary.

## **8 TRAINING**

**8.1 Initial Training Program.** Franchisee or Franchisee's Principal Operator, as well as Franchisee's Plant Manager, must attend and complete, to Franchisor's satisfaction, Franchisor's initial training programs, which shall be held at Franchisor's headquarters in Memphis, Tennessee, or another location designated by Franchisor. Plant Manager and Principal Operator may be required to attend initial training sessions that occur at different times and/or locations. All training-related expenses, including transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility. Franchisee or Franchisee's Principal Operator, and Franchisee's Plant Manager, shall attend and complete their respective initial training programs to Franchisor's satisfaction at least thirty (30) days prior to the opening of Franchisee's Business. Should Franchisee, Franchisee's Principal Operator or Franchisee's Plant Manager fail to complete the initial training program to Franchisor's satisfaction, the respective person may repeat the course, or in the case of the Plant Manager, Franchisee may send a replacement (the "Replacement Personnel") to the next available initial training program. Franchisor may charge a fee for such Replacement Personnel attending an initial training program. Failure by Franchisee, Franchisee's Principal Operator, Franchisee's Plant Manager, or any Replacement Personnel to complete the initial training program to Franchisor's satisfaction within the time period prescribed in this Agreement shall constitute default of this Agreement and Franchisor may terminate the Agreement. Franchisee's designated Coordinator must complete the online module of Franchisor's initial training

program prior to Franchisor's satisfaction prior to the opening of the opening of Franchisee's Business.

**8.2 Training Other Employees.** Franchisee's other employees may be trained by Franchisee's Principal Operator and/or Franchisee's Plant Manager, or, at Franchisee's request and subject to the availability of Franchisor's personnel, Franchisor may train Franchisee's additional personnel at Franchisor's headquarters at Franchisor's then-current tuition rate. All training related expenses for Franchisee's additional personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility. Franchisor will provide Franchisee with training materials for Franchisee to use in training Franchisee's personnel. Only Franchisor's provided training materials may be used by Franchisee in training Franchisee's personnel. Updated training materials will be provided to Franchisee by Franchisor upon written request. All training materials provided to Franchisee by Franchisor shall at all times remain Franchisor's property, and Franchisee agrees not to challenge Franchisor's or Franchisor's affiliates' title or rights in or to the training materials. Franchisee may not make any disclosure, duplication or other unauthorized use of any portion of the training materials.

**8.3. Additional Training Programs and On-Site Assistance.** To assist Franchisee in the operation of Franchisee's Business, Franchisor may offer additional training programs and/or on-site assistance to Franchisee, Franchisee's Plant Manager and/or Franchisee's employees. Franchisor may require Franchisee's attendance at these programs and/or courses. Franchisee is responsible for the expenses of Franchisee, Franchisee's Plant Manager, and Franchisee's employees, including transportation to and from the training site and lodging, meals, and salaries during such training. Franchisee is obligated to pay Franchisor for any additional training programs, remedial training programs, and on-site assistance at Franchisor's then-current tuition rate for such training.

## **9 INSURANCE**

**9.1 Standards and Specifications for the Purchase of Insurance.** Franchisee agrees to purchase/procure and maintain such insurance covering the operation and location of the Business as Franchisor may designate from time to time. Franchisee agrees to provide Franchisor with proof of coverage on demand. Franchisee agrees to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which Franchisee operates its Business. All insurance policies must: (i) name Franchisor (and Franchisor's members, officers, directors, and employees) as additional insureds; and (ii) contain a waiver by the insurance carrier of all subrogation rights against Franchisor. Furthermore, Franchisee shall be required to provide ten (10) days prior written notice of the termination, expiration, cancellation or modification of any insurance policy. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Franchisee agrees to carry such insurance as may be required by the lease of the Existing Facility or by any of Franchisee's lenders or equipment lessors. Franchisee must submit a certification of insurance which demonstrates compliance with this Section. If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep the same in force and effect and Franchisee shall pay Franchisor, on demand, the premium cost thereof and administrative costs of 18% in connection with Franchisor's obtaining the insurance. Franchisor has the right to increase or otherwise modify the minimum insurance requirements and/or

types of insurance required upon thirty (30) days prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice.

## **9.2 Required Forms of Insurance.**

9.2.1 Commercial General Liability Insurance. Franchisee shall maintain insurance for bodily injury, property damage, and personal and advertising injury, with no exclusion or limitation applying to the products and/or completed operations liability coverage. Franchisee must maintain the following minimum limits: (i) \$2,000,000 in the general aggregate; (ii) \$2,000,000 products and completed operations aggregate; (iii) \$1,000,000 personal and advertising injury limit; and (iv) \$1,000,000 per occurrence unit. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims.

9.2.2 Bailee's Legal Liability Insurance. Franchisee shall maintain bailee's legal liability insurance with a limit of \$2,000,000 per loss. Such insurance will not have a deductible or self-insured retention that in any way applies to the coverage in favor of Franchisor's indemnitees and Franchisor as Franchisee's additional insured.

9.2.3 Automobile Liability Insurance. Franchisee shall maintain automobile liability insurance with a combined single limit of \$1,000,000 for bodily injury and property damage including hired and non-owned motor vehicles.

9.2.4 Workers' Compensation and Employers' Liability. Franchisee shall maintain workers' compensation and employers' insurance as required by law that contains a waiver of subrogation endorsement as to claims against Franchisor.

9.2.5 Third Party Bonding Insurance. Franchisee shall maintain third party bonding insurance with minimum limits of \$50,000 per loss.

9.2.6 Property Insurance. Franchisee shall maintain insurance on buildings and personal property, including personal property of others on a replacement cost, no coinsurance basis. The property coverage shall be written on the Special Cause of Loss form as published by the Insurance Services Office, and shall include business income and extra expense coverage for the full twelve (12) months exposure for loss of rental income.

9.2.7 Umbrella Liability Insurance. Franchisee shall maintain a commercial umbrella liability insurance policy with a limit of at least \$4,000,000 per occurrence and aggregate and shall list the commercial general liability, automobile liability and workers' compensation/employers' liability policies as scheduled underlying policies.

9.2.8 Cyber Security Insurance. Franchisee shall maintain cyber security insurance in the amount that we designate in writing or our Manual(s).

9.2.9 Other Insurance. Franchisee shall maintain any other insurance required by local, state or federal laws or regulations, and any other insurance that Franchisor may specify in the Operations Manual from time to time.

## **10 FINANCIAL RECORDS AND REPORTS**

Franchisee must maintain for at least seven (7) fiscal years from their preparation complete financial records for the operation of the Business in accordance with generally accepted accounting principles and must provide Franchisor with: (i) all necessary reports inputted through the DASH Software; (ii) a monthly income statement and profit and loss statement, in a format specified by Franchisor, which includes the total revenue of the Business and clearly distinguishes between the total Other Revenue of the Business and the total revenue earned from Restoration Services only; (iii) annual financial reports and operating statements in the form Franchisor specifies, prepared by a certified public accountant or state licensed public accountant, within ninety (90) days after the close of each of Franchisee's fiscal years; (iv) state and local sales tax returns or reports and federal, state and local income tax returns for each year in which Franchisee's Business is operated, within fifteen (15) days after they are prepared; and (v) such other reports as Franchisor may from time to time require, in the form and at the time Franchisor prescribes. Franchisee's fiscal year must be on a calendar year basis. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor, at Franchisor's discretion, may specify the form in which the business records are to be maintained, provide a uniform set of business records for Franchisee to use, and specify the type of cash register or other equipment to be used in connection with the Business. Franchisee must utilize QuickBooks® Online software in order to maintain the Business' financial records as required under this Section 10. Franchisor shall have full and direct access to all of Franchisee's data, computer system, and related information as described herein and as otherwise may be specified by Franchisor from time to time.

## **11 BOOKS AND RECORDS**

Franchisee must maintain accurate business records, reports, accounts, books and data relating to the operation of Franchisee's Business. Franchisee must maintain all financial records and reports required under Section 10 in the format specified by Franchisor. Franchisor and Franchisor's designees have the right to inspect and/or audit Franchisee's business records at any time during normal business hours, to determine whether Franchisee is current with suppliers and is otherwise operating in compliance with the terms of this Agreement and the Operations Manual. If any audit reveals that Franchisee has understated Franchisee's Royalty Fee payments by more than two percent (2%), or if Franchisee has failed to submit timely reports and/or remittances for any two (2) reporting periods within any twelve (12) month period, Franchisee must pay the reasonable cost of such audit and/or inspection, including the cost of outside auditors and attorneys (to the extent Franchisor incurs such costs), together with amounts due for royalty and other fees as a result of such underreporting and/or failure to submit reports, along with all late fees and interest which may otherwise be due under this Agreement.

## **12 ADVERTISING**

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

**12.1 Generally.** Generally, with regard to advertising for the Business, Franchisee shall place or display at the Existing Facility (interior and exterior) only such signs, emblems, lettering,

logos and displays and advertising materials as Franchisor approves in writing from time to time. Franchisee shall submit to Franchisor, at least fifteen (15) business days prior to publication or use, samples of any sales, promotional, and advertising materials Franchisee desires to use, including, but not limited to, print, radio, television and internet advertising, signage, supplies and packaging which Franchisor has not previously approved. Within ten (10) business days of Franchisor's receipt of any sample sales promotional material or advertising materials from Franchisee, Franchisor shall notify Franchisee in writing of Franchisor's approval or disapproval of the materials. Franchisee shall not use any advertising or promotional materials for which Franchisor has not given Franchisor's prior written approval. All advertising shall prominently display the Proprietary Marks and shall comply with any standards for use of the Proprietary Marks Franchisor establishes as set forth in the Operations Manual or otherwise in writing. Franchisor may require Franchisee to discontinue the use of any advertising or marketing material, within time frames prescribed by Franchisor, at Franchisee's sole cost and expense.

12.1.1 Signage. Franchisee must obtain and install such signage as set forth in the Operations Manual or as otherwise designated by Franchisor.

12.1.2 Vehicle and Vehicle Wrap. Franchisee must provide vehicles for the Principal Operator and Account Manager for use in connection with the Business (each, a "Vehicle"). Franchisee shall purchase an installed vehicle wrap or Franchisor-approved vinyl lettering for each Vehicle, and such vehicle wrap or lettering shall contain the Proprietary Marks and meet Franchisor's then-current standards and specifications, as set forth in the Operations Manual.

12.1.3 Insurance Associations. Franchisee shall join any local or regional insurance association operating within the Territory and purchase a listing in any periodicals published by such associations.

**12.2 Territorial Advertising Restriction.** Except as otherwise provided in this Agreement, Franchisee is not permitted to solicit customers and/or advertise outside Franchisee's Territory without Franchisor's prior written consent, which it may grant at its sole discretion. Franchisor may condition Franchisor's authorization upon Franchisee's agreement to offer other franchisees, who are operating System Businesses in territories encompassed by the circulation base of the proposed advertising, the opportunity to participate in, and share the expense of, such solicitation and/or advertising. Notwithstanding the foregoing, Franchisee may accept customers from outside Franchisee's Territory at Franchisee's Business, provided Franchisee did not solicit such customers by advertising outside of Franchisee's Territory without Franchisor's prior written consent, subject to Franchisor's revenue-sharing program as set forth in Section 1.3 of this Agreement. Franchisee may not advertise the Business or any products or services offered by the Business via the Internet or any other means of e-commerce, except as permitted in Section 12.3.

### **12.3 Internet Website.**

12.3.1 Franchisor may establish a website that provides information about the System and Franchisor's products and services. Franchisor may use part of the monies from the Fund (as defined in Section 12.4 below) that Franchisor collects under this Agreement to pay or reimburse itself for the costs associated with the development, maintenance and update of such website. Franchisor will be the web master, either directly or through a third party, and will have full control over such website.

12.3.2 Franchisor may, though Franchisor is not obligated to, design and provide to Franchisee a web page for the promotion of Franchisee's Business on Franchisor's website. Franchisor may also provide a template for the design and layout of Franchisee's webpage. In such case, Franchisor will be the web master, either directly or through a third party, and will have sole discretion and control over such web page. Franchisee is not permitted to maintain an individual website related to the Business, or to establish a URL incorporating any variation of the "Lyons Restores™" or "Evans®" name or the Proprietary Marks, without Franchisor's prior written approval. Franchisee will not violate Franchisor's privacy policies as posted on the website. Franchisor may use part of the monies from the Fund Contribution that Franchisor collects under Section 12.4 of this Agreement to pay or reimburse the costs associated with the development, maintenance and update of the website. Additionally, except as approved in advance in writing by Franchisor, Franchisee must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, MySpace, Twitter, LinkedIn, YouTube or any other social media and/or networking site. If such approval is granted by Franchisor, Franchisee must: (i) establish and operate such Internet site in accordance with System standards and any other policies Franchisor designates in the Manual or otherwise in writing from time to time; and (ii) utilize any templates that Franchisor provides to Franchisee to create and/or modify such site(s). Franchisee must also participate in any System-wide computer network, intranet system, or extranet implemented by Franchisor as described in Section 7.9 above.

12.3.3 Franchisee acknowledges that Franchisor is the lawful, rightful and sole owner of the Internet domain names [www.evansgr.com](http://www.evansgr.com), [www.lyonsrestores.com](http://www.lyonsrestores.com) and any other Internet domain names registered by Franchisor, and unconditionally disclaims any ownership interest in those or any colorably similar Internet domain name. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or Franchisor's affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

**12.4 Brand Development Fund.** Franchisor has established a brand development fund (the "Fund") for the common benefit of System franchisees. Franchisee is required to participate in and contribute monthly to the Fund (the "Fund Contribution") in the manner Franchisor prescribes. The Fund Contribution shall be two percent (2%) of Franchisee's Gross Sales. Franchisee must pay the Fund Contribution in the same manner as the Royalty Fee due under this Agreement. Franchisor has the right to require that an advertising cooperative and/or franchisee advisory council be formed, changed, dissolved or merged.

12.4.1 Franchisor may, but is not required, to implement a Fund Committee (as defined in Section 3.4 of the Franchise Agreement), which will implement policies and procedures for the expenditure of the Fund. Franchisor and/or the Fund Committee will use Fund contributions, in Franchisor or the Fund Committee's sole discretion, to develop, produce and distribute national, regional and/or local advertising and to create advertising materials and public relations programs which promote, in Franchisor's sole judgment, the services offered by System franchisees. Notwithstanding the foregoing, Franchisor has the sole right to determine contributions and expenditures from the Fund, or any other advertising program, and sole authority to determine, without limitation, the selection of the advertising materials and programs; provided, however, that Franchisor will make a good faith effort to expend Fund contributions in the general best interests of the System on a national or regional basis. Franchisor may use the Fund to satisfy any and all costs

of: (i) maintaining, administering, directing, preparing, producing, and implementing advertising, including the cost of preparing, producing, and implementing television, radio, magazine and newspaper advertising campaigns, and tradeshow; (ii) direct mail and outdoor billboard advertising; (iii) public relations activities and advertising agencies; (iv) developing and maintaining an Internet website; and (v) personnel and other departmental costs for advertising that Franchisor internally administers or prepares. Nevertheless, Franchisee acknowledges that not all System franchisees will benefit directly or on a pro rata basis from such expenditures. While Franchisor does not anticipate that any part of the Fund contributions will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the Fund for public relations or recognition of the “Evans Garment Restoration” and “Lyons Restores” brand, and for the creation and maintenance of a web site, a portion of which can be used to explain the license offering and solicit potential franchisees, and to include a notation in any advertisement indicating “Franchises Available.”

12.4.2 Franchisor and/or the Fund Committee may, as they deem appropriate, periodically assist franchisees to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives (“Surveys”). The cost of such programs will be borne by the Fund. The cost of these programs may be charged directly to Franchisee if Franchisee’s results from a Survey fall below System established minimum standards for such Surveys.

12.4.3 Franchisor and/or the Fund Committee has the right to reimburse itself from the Fund contributions for such reasonable costs and overhead, if any, as Franchisor or the Fund Committee may incur in activities reasonably related to the direction and implementation of the Fund.

12.4.4 Franchisor may, at its sole discretion, choose to contribute to the Fund for Franchisor-owned Businesses, but is not obligated to do so.

12.4.5 Franchisor will prepare on an annual basis, and will have available for Franchisee within one-hundred and twenty (120) days of the end of the fiscal year, a statement of contributions and expenditures for the Fund. The statement will be presented to Franchisee upon Franchisee’s written request. The Fund is not required to be independently audited.

12.4.6 Franchisor may have the Fund incorporated or otherwise operated through a separate entity (including, without limitation, the Fund Committee) and such successor entity will have all the rights specified in this Section 12.4.

**12.5 Regional Advertising and Promotional Cooperative.** Franchisor shall have the right, in Franchisor’s discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”), and to determine whether a Cooperative is applicable to the Business. If a Cooperative has been established applicable to the Business at the time Franchisee begins operating under this Agreement, Franchisee must immediately become a member of such Cooperative. If a Cooperative applicable to the Business is established at any later time during the term of this Agreement, Franchisee must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative begins operation. If the Business is within the territory of more than one (1) Cooperative, Franchisee is required to be a member of only one (1) such Cooperative. The following provisions will apply to each Cooperative:



12.5.1 Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor.

12.5.2 Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for use by the members in local advertising.

12.5.3 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior approval. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 12.1 hereof.

12.5.4 All activities and decisions of the Cooperative shall be determined by a majority vote of the member franchisees in the Cooperative.

12.5.5 Each member Franchisee must submit to the Cooperative, no later than the fifth (5<sup>th</sup>) day of each month, for the preceding month, its respective contribution as provided in this Agreement together with such other statements or reports as Franchisor may require or as may be required by the Cooperative with Franchisor's approval.

12.6 **Additional Advertising.** In addition to the advertising obligations described above, as soon as possible (based on publication deadlines) after signing this Agreement, Franchisee must place an advertisement for the Franchised Business in all local telephone directories (or their functional equivalent) serving Franchisee's Territory, as directed by Franchisor. If any of Franchisee's telephone directories extend beyond Franchisee's Territory, Franchisor has the right to require Franchisee to advertise as a pro rata participant in a group display advertisement. All advertisements must conform to Franchisor's standards and specifications and Franchisee must place the advertisements under the heading(s) Franchisor designates in the Operations Manual or otherwise in writing.

## **13 INDEPENDENT CONTRACTOR; INDEMNIFICATION**

13.1 **Independent Contractor Status.** Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's Business, and neither party to this Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards and contractual agreements entered into by Franchisee shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice in the place Franchisor designates, that Franchisee operates Franchisee's Business as an independently owned and operated Business and that Franchisee independently owns and operates the Business as a System Franchisee. Nothing in this Agreement authorizes Franchisee 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 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 of Franchisee's acts or omissions in the operation of the Business or for any claim or judgment arising therefrom against Franchisee or Franchisor. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement

(nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractors, nor vice versa.

**13.2 Indemnification.** Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, Franchisor's affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnitees") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) the operation of Franchisee's Business, including the use, condition, construction and buildout, equipping, decorating, maintenance or operation of the Business premises, the sale of any products and services, and Franchisee's advertising; (ii) the use of the Proprietary Marks and other proprietary materials; (iii) the transfer of any interest in this Agreement or Franchisee's Business in any manner not in accordance with this Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (v) libel, slander or any other form of defamation of Franchisor, the System or any Franchisee operating under the System, by Franchisee or by any of Franchisee's principals. For purposes of this indemnification, "Claims" shall mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through Franchisee to Franchisor. Franchisor shall have the right, but not the obligation, to defend any such claim against it in such manner as Franchisor deems appropriate or desirable in Franchisor's sole discretion. Such an undertaking by Franchisor shall, in no manner or form, diminish Franchisee's and each of Franchisee's principals' obligations to indemnify the Indemnitees and to hold them harmless. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## **14 SALE OR TRANSFER**

**14.1 Transfer.** Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has entered into this Agreement in reliance on Franchisee's personal attributes and financial capacity. Therefore, Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in the Business without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein.

### **14.2 Death or Disability.**

**14.2.1 Representative's Right to Continue as Franchisee.** In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's partners or personal guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, shall have the right to continue the operation of the Business as a Franchisee under this Agreement if: (i) within 45 days from the date of death, disability or incapacity (the "45-Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current Franchise Agreement for the unexpired term of the license, or has furnished a personal guaranty of any partnership, corporate or

limited liability company guaranteeing Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

14.2.2 Business Operation During and After 45-Day Period. Franchisor is under no obligation to operate the Business, or incur any obligation on behalf of any incapacitated Franchisee, during or after the 45-Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Business during the 45-Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate Franchisee's Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Business to cover any or all past, current and/or future obligations of the Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines from time-to-time in Franchisor's sole and absolute discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or mediator for any such arrangements, the attorneys' fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of Franchisee's Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of Franchisee's Business.

14.3 **Ownership Changes.** A sale, transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee attempts to sell, transfer, assign, or encumber any portion of the Business or any interest in this Agreement or the Business; (ii) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership; (iii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iv) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer of any interest in the limited liability company. Any new partner, shareholder, or member or manager of the Franchisee entity will be required to personally guarantee Franchisee's obligations under this Agreement.

14.3.1 Right of First Refusal. If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Business or any interest in Franchisee's lease to any third party (other than to a corporation or limited liability company as set forth in Section 14.4 hereof), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period after receipt of the Letter of Intent, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 14.3.2 hereof. Franchisee shall affect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section 14.3.1. Any material change in the terms of the offer shall be deemed a new proposal subject to Franchisor's

right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer in accordance with Section 14.4, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth in Section 14.2, is not subject to Franchisor's first right of refusal.

14.3.2 Conditions for Approval. Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Business or of Franchisee's interest in this Agreement upon satisfaction of the following occurrences:

14.3.2.1 All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;

14.3.2.2 Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, or Franchisor's designated/approved suppliers and vendors, within the period permitted for cure, and must have substantially complied with such agreements during their respective terms;

14.3.2.3 Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities; provided, however, the release shall not be inconsistent with any applicable state statute regulating franchising;

14.3.2.4 Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Franchisee's obligations under this Agreement;

14.3.2.5 The transferee shall demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as Franchisor, franchisor, independent operator, franchisee or licensee of any other business, chain or franchise which is similar in nature or in competition with Franchisor, except that the transferee may be an existing Franchisee of Franchisor;

14.3.2.6 The transferee shall execute Franchisor's then-current form of Franchise Agreement and personal guaranty (if applicable) for the unexpired term of this Agreement;

14.3.2.7 Franchisee or transferee shall pay Franchisor a transfer fee of \$10,000 plus any broker fees (the "Transfer Fee");

14.3.2.8 The transferee shall satisfactorily complete Franchisor's training program at the transferee's expense within the time frame Franchisor sets forth;

14.3.2.9 Franchisee (and Franchisee's principals if Franchisee is a partnership, corporation or limited liability company), and the members of their respective families must comply with the post-termination provisions of this Agreement;

14.3.2.10 Transferee must obtain, within the time limits set forth by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Business;

14.3.2.11 To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

14.3.2.12 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of licenses;

14.3.2.13 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Business and performance under its Franchise Agreement;

14.3.2.14 Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and acknowledge that Franchisor shall not be liable for any representations not included in the disclosure document;

14.3.2.15 Franchisor's approval of the transfer shall not constitute a waiver of any claims Franchisor may have against the transferring party;

14.3.2.16 Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchisee's Business as Franchisee has supplied Franchisor hereunder; and

14.3.2.17 In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.

**14.4 Transfer to a Corporation or Limited Liability Company.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the Transfer Fee set forth in Section 14.3.2.7, and such assignment will not be subject to Franchisor's right of first refusal in Section 14.3.1:

14.4.1 The corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business;

14.4.2 Franchisee is, and at all times remains, the owner of 51% of the outstanding shares of the corporation or a controlling interest in the limited liability company;

14.4.3 The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder;

14.4.4 Franchisee reimburses Franchisor for its administrative fees (up to \$1,000) in preparing the documentation and reviewing such transfer; and

14.4.5 All stockholders of the corporation, or members and managers of the limited liability company, as applicable, enter into Franchisor's prescribed form of personal guaranty. All such personal guarantors shall agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration and nonrenewal of this Agreement as if each were an individual party to this Agreement in his or her individual capacity.

14.5 **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

## 15 BREACH AND TERMINATION

15.1 **Automatic Termination.** This Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

15.1.1 Voluntary Bankruptcy. If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Business.

15.1.2 Involuntary Bankruptcy. If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Business without Franchisee's consent, and the appointment is not vacated within sixty (60) days.

15.1.3 Unauthorized Transfer. Franchisee purports to sell, transfer or otherwise dispose of any interest in the Business in violation of Section 14 hereof.

15.2 **With Notice and Without Opportunity to Cure.** Franchisor has the right to terminate this Agreement upon notice but without providing Franchisee an opportunity to cure for any of the following breaches or defaults:

15.2.1 Criminal Acts. If Franchisee or Franchisee's principals are convicted of or plead guilty or no contest to any felony, or take part in any criminal misconduct relevant to the operation of Franchisee's Business.

15.2.2 Fraud. If Franchisee or Franchisee's principals commit any fraud or misrepresentation in the operation of Franchisee's Business, including any insurance fraud.

15.2.3 Misrepresentation. If Franchisee or Franchisee's principals make any misrepresentation or omission in connection with Franchisee's license application, including but not limited to any financial misrepresentation.

15.2.4 Failure to Complete Training. If Franchisee fails to complete initial training as provided in Section 8.1.

15.2.5 Repeated Breaches. If Franchisor sends Franchisee three (3) or more written notices to cure pursuant to Sections 15.3 or 15.4 hereof in any twelve (12) month period.

15.2.6 Breach of Other Agreements. If Franchisee or Franchisee's principals materially breach any other agreement with Franchisor or any of Franchisor's affiliates, or threaten any material breach of any such agreement or any lease for the Existing Facility, and fail to cure such breach within any permitted period for cure.

15.2.7 Misuse of the Proprietary Marks or Confidential Information. If Franchisee or Franchisee's principals materially violate any provision hereof pertaining to Proprietary Marks or Confidential Information, including any customer's PII, or misuse the Proprietary Marks or Confidential Information.

15.2.8 Violation of Laws and Regulation. If Franchisee or Franchisee's principals or employees violate any health, safety, environmental or sanitation law, ordinance or regulation, or operate the Business in a manner that presents a health or safety hazard to customers, or the general public.

15.2.9 Violation of In-term Restrictive Covenant. If Franchisee violates the in-term restrictive covenant contained in Section 17.1.

15.2.10 Liens. If a levy or writ of attachment or execution or any other lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within thirty (30) days.

15.2.11 Insolvency. If Franchisee or any of Franchisee's principals become insolvent.

15.2.12 Abandonment. If Franchisee voluntarily or otherwise abandons the Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue the Business in accordance with the terms of this Agreement and shall apply in any event Franchisee fails to operate the Business as a System Business for a period of one (1) week without Franchisor's prior written approval.

15.2.13 Unauthorized Products or Services. If Franchisee offers any unauthorized and unapproved products or services at or from the Business.

15.2.14 Unapproved Purchases. If Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier.

15.2.15 Misuse of Web Page, Intranet or Extranet, or Software. If Franchisee misuses or makes unauthorized use of Franchisor's proprietary or approved software, including DASH Software, or any web page, intranet, or extranet system provided for use in connection with the operation of Franchisee's Business.

15.2.16 Insurance. If Franchisee fails to maintain insurance or fails to repay Franchisor for insurance paid for by it, or otherwise fails to adhere to the requirements of Section 9.

15.2.17 Government Actions. If any government action is taken against Franchisee that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

15.2.18 Anti-Terrorist Activities. If Franchisee fails to comply with the provisions of Section 22.7.

15.2.19 Personal Use of Business Property. If Franchisee takes for Franchisee's own personal use any assets or property of the Business, including employee taxes, FICA, insurance or benefits.

15.2.20 Insufficient Funds. If there are insufficient funds in Franchisee's bank account to cover a check or EFT payment to Franchisor two (2) or more times within any twelve (12) month period.

15.3. **Upon 15 Days' Notice to Cure**. Franchisor has the right to terminate this Agreement if any of the following defaults remains uncured after receiving notice and the expiration of a fifteen (15) day cure period:

15.3.1 Nonpayment. If Franchisee fails to pay as and when due any sums owed to Franchisor, any of Franchisor's affiliates, or any of Franchisor's suppliers or vendors.

15.3.2 Under-reporting of Gross Sales or Failure to Submit Reports. If any audit reveals that Franchisee has designated Gross Sales as Other Revenue or otherwise understated Franchisee's Royalty Fee by more than two percent (2%) or if Franchisee has failed to submit timely reports and/or remittances for any two (2) reporting periods within any twelve (12) month period.

15.3.3 Endorsement of Checks. If Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that are erroneously made to Franchisee.

15.3.4 Failure to Maintain Sufficient Inventory Level. If Franchisee fails to maintain sufficient levels of inventory to adequately meet consumer demand.

15.3.5 Failure to Open. If Franchisee fails to commence operations of Franchisee's Business within the time prescribed in Section 7.3 of this Agreement.

15.3.6 Interruption of Service. If Franchisee fails to maintain the prescribed months, days or hours of operation at the Business.

15.3.7 Quality Control. If Franchisee fails to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual, including such standards as may be required by certain National Accounts, or Franchisee otherwise fails to perform its obligations under any contracts with insurance providers or other customers.



15.3.8 Other Conduct Reflecting Adversely on System. If Franchisee conducts itself in a manner that, although not criminal, reflects adversely on the System, the Proprietary Marks, or the products offered through the System.

15.4 **Upon 30 Days' Notice to Cure.** Franchisor has the right to terminate this Agreement if any of the following defaults remains uncured after receiving notice and the expiration of a thirty (30) day cure period:

15.4.1 Failure to Personally Supervise Business Operations or Employ Adequate Personnel. If Franchisee fails, in Franchisor's sole discretion, to personally supervise the day-to-day operation of the Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time, which shall include Franchisee's failure to maintain a Principal Operator if Franchisee is not personally supervising the operations of the Business.

15.4.2 Franchises and Permits. If Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Business.

15.4.3 Government Regulations. If Franchisee fails, after notification of non-compliance by federal, state or local government authorities, to comply with any law or regulation applicable to the Business.

15.4.4 Other Breaches. If Franchisee fails to perform or comply with any one or more of the terms or conditions of this Agreement or any ancillary agreements between Franchisee and Franchisor or Franchisor's affiliates.

15.5 **Step In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter upon the Business premises and exercise complete authority with respect to the operation of the Business until such time as Franchisor determines, in Franchisor's sole discretion, that the default has been cured and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with its operation of Franchisee's Business including, without limitations, costs of personnel for supervising and staffing the Business and their travel, meal, and lodging accommodations. If Franchisor undertakes to operate the Business pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's operation of the Business.

15.6 **Nonwaiver.** Franchisor's delay in exercising or failing to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due hereunder shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

## **16 RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION**

16.1 **Franchisee's Obligations.** Upon termination of this Agreement, regardless of the cause, or upon expiration and nonrenewal or transfer of this Agreement, Franchisee must, at Franchisee's cost and expense:

16.1.1 Cease immediately all operations under this Agreement;

16.1.2 Pay Franchisor immediately all unpaid fees and pay Franchisor, Franchisor's affiliates, and Franchisor's approved and designated suppliers and vendors, all other monies owed;

16.1.3 Discontinue immediately the use of the Proprietary Marks;

16.1.4 Immediately return the Operations Manual, DASH Software, equipment, customer and supplier information, all other proprietary materials, and any and all other Confidential Information that Franchisor has provided to Franchisee, and immediately and permanently cease the use of such information and materials;

16.1.5 Promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks and all items which are a part of the trade dress of the System as Franchisor directs;

16.1.6 Cease to hold itself out as Franchisor's Franchisee;

16.1.7 Take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark Franchisor licensed to Franchisee, and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) calendar days after the termination, expiration or transfer of this Agreement;

16.1.8 Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records within six (6) months of the effective date of termination, expiration, or transfer;

16.1.9 Comply with the post-termination covenants set forth in Section 17 hereof, all of which shall survive the transfer, termination or expiration of this Agreement;

16.1.10 Provide Franchisor with access to all data regarding current Jobs, customers, and access to the Existing Facility in order to allow Franchisor to complete Jobs related to customer garments currently in Franchisee's possession;

16.1.11 Cease to use in advertising or in any other manner, any methods, procedures or techniques associated with Franchisor or the System; and

16.1.12 Execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 16.

**16.2 Power of Attorney.** Upon the termination or expiration of this Agreement, Franchisee hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to execute in Franchisee's name and on Franchisee's behalf all documents necessary to discontinue Franchisee's use of the Proprietary Marks and the Confidential Information.

**16.3 Damages, Costs, and Expenses.** In the event of termination for any default by Franchisee, Franchisee shall promptly pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, 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 Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Business.

## 17 COVENANTS

Franchisee acknowledges that as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all of Franchisor's franchisees, Franchisee agrees as follows:

**17.1 During the Term of This Agreement.** During the term of this Agreement, neither Franchisee, Franchisee's Principal Operator, officers, directors, principals, Account Manager, Plant Manager, Coordinator nor any member of the immediate family of Franchisee or Franchisee's Principal Operator, officers, directors, principals, Plant Manager, Coordinator or Account Manager may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

17.1.1 Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business offering or licensing emergency restoration dry cleaning, laundry or any related Restoration Services for residential or commercial losses (a "Competitive Business"); provided, however, that the term "Competitive Business" does not include Franchisee's offering of any non-restoration services at the Existing Facility or any other location;

17.1.2 Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System Franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

17.1.3 Divert or attempt to divert any business or customer of the Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

### 17.2 After the Term of This Agreement.

17.2.1 For a period of three (3) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, Franchisee's Principal Operator, officers, directors, principals, nor any member of the immediate family of Franchisee or Franchisee's Principal Operator, officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate a Competitive Business.

17.2.2 For a period of three (3) years after the expiration, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, Franchisee's officers, directors, principals, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

17.2.2.1 Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any Competitive Business: (i) at the Business premises; (ii) within the Territory; or (iii) within a radius of twenty-five (25) miles of the perimeter of, (a) the Business being granted hereunder, or (b) any other Business operated by Franchisor or Franchisor's affiliates or franchisees as of the date of expiration or termination of this Agreement;

17.2.2.2 Solicit business from customers to whom Franchisee provided Restoration Services through Franchisee's Business, including any insurance companies;

17.2.2.3 Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

17.2.2.4 Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, or any other System Franchisee, to discontinue employment.

**17.3 Intent and Enforcement.** It is the parties' intent that the provisions of this Section 17 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 17 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee agrees that in the event of the actual or threatened breach of this Section 17, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 17 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 17 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation of this Section 17 shall be tolled during any default under this Section.

**17.4 Employees.** Franchisee shall ensure that Franchisee's principals, designated managers, employees, and members of their immediate families who have access to Franchisor's Confidential Information, execute a Confidentiality and Non-Compete Agreement, in the form attached as Exhibit B to this Agreement, or as Franchisor, in Franchisor's sole discretion, otherwise prescribes. Franchisee must furnish Franchisor a copy of each executed agreement upon request.

**17.5 No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 17. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) which Franchisor incurs in connection with the enforcement of this Section 17.

## **18 DISPUTE RESOLUTION**

**18.1 Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee (without reference to its conflict of laws principals).

**18.2 Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as set forth in Section 18.6 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

**18.3 Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 18.2 above, must be submitted first to non-binding mediation, in Memphis, Tennessee under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's right to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and Franchisor and Franchisee shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement.

**18.3.1** The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 18.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating) any federally protected intellectual property rights in the Proprietary Marks, the System, any Confidential Information, or any of the restrictive covenants contained in this Agreement.

**18.4 Selection of Venue.** Except for Franchisor's right to seek injunctive relief in any court of competent jurisdiction as set forth in Section 18.8, the parties expressly agree to the jurisdiction and venue of any state court of general jurisdiction in Memphis, Tennessee and the jurisdiction and venue of the United States District Court for the Western District of Tennessee. Franchisee acknowledges that this Agreement has been entered into in the State of Tennessee, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Memphis, Tennessee, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Tennessee as set forth above.

**18.5 Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Section 18, each having authority to specifically enforce the right to mediate/litigate claims asserted against such person(s) by Franchisee.

**18.6 Prior Notice of Claims.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

18.7 **No Right to Offset.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

18.8 **Injunctive Relief.** Nothing in this Agreement shall prevent Franchisor from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions in any court of competent jurisdiction. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

18.9 **Limitation of Action.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

18.9.1 Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises/licenses, or any regulation or rules promulgated thereunder.

18.10 **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

**18.11 WAIVER OF JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES TO THIS AGREEMENT HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE LICENSE AND/OR ANY GOODS OR SERVICES. THE PARTIES ALSO HEREBY AGREE THAT ALL PROCEEDINGS WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS, AND FRANCHISOR OR ITS AFFILIATES OR**

**EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER PERSON OR ENTITY.**

**19 REPRESENTATIONS**

19.1 **No Authority.** NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE FRANCHISOR EXCEPT FRANCHISOR'S AUTHORIZED OFFICER BY A WRITTEN DOCUMENT. FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES, OR WARRANTIES OF ANY KIND WERE MADE BY FRANCHISOR OR ON FRANCHISOR'S BEHALF WHICH HAVE LED FRANCHISEE TO ENTER INTO THIS AGREEMENT. FRANCHISEE UNDERSTANDS THAT WHETHER FRANCHISEE SUCCEEDS AS A FRANCHISEE IS DEPENDENT UPON FRANCHISEE'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND FRANCHISOR'S CONTROL OR INFLUENCE. FRANCHISEE FURTHER UNDERSTANDS THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE WILL DO AS WELL AS ANY OTHER FRANCHISEE.

19.2 **Receipt.** FRANCHISEE ACKNOWLEDGES RECEIPT OF THE EVANS GARMENT RESTORATION II, LLC FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE RECEIVED A COMPLETED COPY OF THIS AGREEMENT, AND ALL RELATED AGREEMENTS ATTACHED TO THE FRANCHISE DISCLOSURE DOCUMENT, WITH ANY CHANGES TO SUCH AGREEMENTS UNILATERALLY AND MATERIALLY MADE BY FRANCHISOR AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT AND ALL RELATED AGREEMENTS WERE EXECUTED.

19.3 **Opportunity for Review by Franchisee's Advisors.** FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS RECOMMENDED, AND THAT FRANCHISEE HAS HAD THE OPPORTUNITY TO OBTAIN, REVIEW OF THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT BY FRANCHISEE'S LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

19.4 **Execution of Agreement.** EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH ENTITY WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP, ALL OF THE SHAREHOLDERS OF THE CORPORATION, OR ALL OF THE MEMBERS AND MANAGERS OF THE LIMITED LIABILITY COMPANY, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY.

## 20 GUARANTEE OF PRINCIPALS AND THEIR SPOUSES

If Franchisee is a corporation, or subsequent to execution hereof Franchisee assigns this Agreement to a corporation, all shareholders and their spouses (or if Franchisee is a partnership, or subsequent to execution hereof Franchisee assigns this Agreement to a partnership, all general partners and their spouses, or if Franchisee is a limited liability company, or subsequent to execution hereof Franchisee assigns this Agreement to a limited liability company, all members and managers and their spouses) hereby personally and unconditionally guarantee without notice, demand, or presentment, the payment of all of Franchisee's monetary obligations under this Agreement, and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination, or expiration and nonrenewal of this Agreement, as well as all non-payment performance-related obligations of Franchisee under this Agreement, as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors and their spouses must execute a continuing personal guaranty in the form attached hereto as Exhibit A. If Franchisee is an individual, Franchisee's spouse must execute the form of personal guaranty attached hereto as Exhibit A.

## 21 NOTICES

All notices and requests to be given under this Agreement are to be in writing, and delivered by either hand delivery or overnight mail by a recognized carrier offering a delivery receipt, to the following addresses (which may be changed by written notice):

Franchisee's Address:

\_\_\_\_\_  
\_\_\_\_\_

Franchisor's Address:

Evans Garment Restoration II, LLC  
1750 Transport Avenue  
Memphis, Tennessee 38116

With a copy to:

Lane Fisher, Esq.  
Fisher Zucker, LLC  
21 S. 21<sup>st</sup> Street  
Philadelphia, Pennsylvania 19103

## 22 MISCELLANEOUS

**22.1 Entire Agreement.** This Agreement contains the entire agreement of the parties. There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties. This agreement may not be modified except by a written document signed by both parties. Nothing in this Agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

**22.2 Construction of Language.** The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement



refer to whatever number or gender the context requires. If more than one party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "immediate family" means Franchisee's spouse, parents, children and siblings and Franchisee's spouse's parents, children and siblings. Reference to Franchisee's "principals" means Franchisee's partners, officers, directors, shareholders, members and managers, as applicable. References to "Franchisor" and "Franchisee" include the party's successors, assigns or transferees.

**22.3 Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Franchisor or any of its affiliates or protection of the Proprietary Marks or the Confidential Information, including the Operations Manual and Franchisor's other trade secrets, is declared invalid or unenforceable, then Franchisor at Franchisor's option may terminate this Agreement immediately upon written notice to Franchisee.

**22.4 State Law Applies.** If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which the Business is located, then the valid law or regulation of that state applicable to the license shall supersede any provision of this Agreement that is less favorable to Franchisee.

**22.5 Additional Documentation.** Franchisee must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor reasonably may require in order to effectuate the transactions contemplated herein. In the event that Franchisee fails to comply with the provisions of this Section, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact to execute any and all documents on Franchisee's behalf, reasonably necessary to effectuate the transactions contemplated herein.

**22.6 Force Majeure.** Neither Franchisee, Franchisor, nor Franchisor's affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as Franchisor deems reasonable.

**22.7 Anti-Terrorist Activities.** Franchisee certifies that neither Franchisee, nor Franchisee's owners, principals, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224. Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's owners, principals, employees, or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners or

principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section 13.2 of this Agreement pertain to Franchisee's obligations under this Section 22.7. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee's owners, principals or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section 15.2.18 of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any governmental authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts or acts of war.

**22.8 Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

## **23 ACKNOWLEDGMENTS**

**23.1 Independent Investigation.** Franchisee acknowledges that Franchisee has conducted an independent investigation of the Business contemplated by this Agreement and recognizes that it involves business risks which make the success of the venture largely dependent upon Franchisee's business abilities and efforts. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Agreement that Franchisee may not have initially understood and that Franchisor has advised Franchisee to have this Agreement reviewed by an attorney.

**23.2 No Guarantee of Earnings.** Franchisee acknowledges that Franchisor and any of Franchisor's representatives and/or agents with whom Franchisee has met have not made and are not making any guarantees as to the extent of Franchisee's success in Franchisee's Business, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with Franchisee's Business.

**23.3 Receipt of Disclosure Document.** Franchisee acknowledges that this Agreement and Franchisor's Franchise Disclosure Document have been in Franchisee's possession for at least fourteen (14) calendar days before Franchisee signed this Agreement and that any material changes to this Agreement were in writing in this Agreement for at least seven (7) calendar days before Franchisee signed this Agreement.

23.4 **No Personal Liability.** Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's license company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

SIGNATURE PAGE FOLLOWS

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY,  
THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED  
EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

**FRANCHISEE:**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISOR:**

**EVANS GARMENT RESTORATION II, LLC**

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**  
**to**  
**EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE AGREEMENT**

**PERSONAL GUARANTY**

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE'S SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING.

**ARTICLE I**  
**PERSONAL GUARANTY**

The undersigned persons (individually and collectively "you") hereby represent to Evans Garment Restoration II, LLC ("Franchisor") that you are all of the shareholders of \_\_\_\_\_ ("Franchisee"), or all of the general partners of the Franchisee, or all of the members and managers of the Franchisee, or the spouse of any such shareholder, general partner, or member or manager of Franchisee, or the spouse of Franchisee or any other guarantor described hereunder, as the case may be. In consideration of the grant by Franchisor to the Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Evans Garment Restoration II, LLC Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You agree to be bound by the dispute resolution procedures set forth in the Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition, as well as all other restrictive covenants, including those concerning confidentiality and indemnification of the aforesaid Franchise Agreement.

**ARTICLE II**  
**CONFIDENTIALITY**

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers its trade secrets and confidential information ("Confidential Information"). You shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation, standards and specifications for a garment restoration Business, information about

proprietary processes, the DASH Software and any and all software Franchisor may now or in the future create, guidelines for hiring, training, retaining, promoting and supporting the Business's personnel, information regarding System suppliers, the Operations Manual, the company's copyrighted materials, and any other goods or services offered or authorized for sale by System franchisees, methods and other techniques and know-how concerning the of operation of the Business which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee's obligations under the Franchise Agreement. You also acknowledge and agree that certain information, information of customers, insurance adjusters, insurance agents, insurance companies, insurance company affiliates, general contractors or reconstruction services, content cleaning companies, third-party administrators and any other current or prospective customers including (i) names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers, and (v) sources of suppliers, will be deemed Confidential Information for purposes of this Agreement.

### **ARTICLE III NON-COMPETITION**

You acknowledge that as a participant in the Franchisor's System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor's franchisee, you agree as follows:

1) **During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, neither you, nor your principals, officers, directors, nor any members your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

a) Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business offering emergency restoration, dry cleaning, laundry, or any related restoration services for residential or commercial losses (a "Competitive Business"); provided, however, that this Section does not apply to Franchisee's operation of any other Franchised Business;

b) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System Franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

c) Divert or attempt to divert any business or customer of the Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2) **After the Term of This Agreement.**

a) For a period of three (3) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate a Competitive Business.

b) For a period of three (3) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(i) Own, maintain, engage in, be employed by, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any Competitive Business: (a) at the Business premises; (b) within the Territory; or (c) within a radius of twenty-five (25) miles of the perimeter of the Business granted by the Franchise Agreement, or within a radius of (25) miles of any other Business operated by Franchisor or Franchisor's affiliates or franchisees as of the date of expiration or termination of the Franchise Agreement; or

(ii) Solicit business from customers of Franchisee's former Business; or

(iii) Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

(iv) Solicit any of our employees, or the employees of Franchisor's affiliates or any other System Franchisee to discontinue employment.

3) **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that you have previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under the Franchise Agreement and this Guaranty.

#### **ARTICLE IV MISCELLANEOUS**

1) **Acknowledgment.** You acknowledge that this Guaranty is not a Franchise Agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its System.

2) **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Tennessee.

3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4) **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor

arising out of, or in any way relating to, this Personal Guaranty or the Franchise Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to non-binding mediation, in Memphis, Tennessee, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either as the result of a written declaration: (i) of the mediator(s) that further mediation efforts are not worthwhile; or (ii) by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and the parties shall share the cost of the mediator. This agreement to mediate at Franchisor's option shall survive the termination or expiration of the Franchise Agreement.

a) The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 4 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating) any federally protected intellectual property rights in the Proprietary Marks, the System, any Confidential Information, or any of the restrictive covenants contained in this agreement;

5) **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of the Franchise Agreement and this Guaranty, and the mediation provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

6) **Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation or judicial proceeding conducted hereunder.

7) **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties expressly agree submit to the jurisdiction and venue of any state court of general jurisdiction in Memphis, Tennessee and the jurisdiction and venue of the United States District Court for the Western District of Tennessee.

8) **Jury Trial and Class Action Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE LICENSE, OPTION AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN YOU, YOUR GUARANTORS, AND FRANCHISOR OR ITS AFFILIATES OR EMPLOYEES



MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER PERSON OR ENTITY.

9) **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery shall be limited to actual damages. If any other term of this Personal Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

10) **Limitation on Action.** You agree that no cause of action arising out of or under this Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

11) **Attorneys' Fees.** If either party institutes any mediation action or judicial proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Guaranty and the Franchise Agreement, and Franchisor prevails in such action, you shall be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

12) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement shall not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13) **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to its fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

14) **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

15) **Successors.** References to “Franchisor,” “Franchisee,” “the undersigned,” or “you” include the respective parties’ successors, assigns or transferees.

16) **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in this Guaranty or in the Franchise Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s license company shall be personally liable to Franchisee or you for any reason.

**PERSONAL GUARANTORS**

**SPOUSES**

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**EXHIBIT B**  
**to**  
**EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**  
*(for employees, shareholders, officers, directors, general partners, members and managers,  
Principal Operator Plant Manager, Coordinator, and Account Manager of Franchisee)*

In consideration of my being a \_\_\_\_\_ of \_\_\_\_\_ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that the Franchisee has acquired the right from Evans Garment Restoration II, LLC (the "Company") to establish and operate a Evans Garment Restoration and Lyons Restores Business offering garment restoration and related services and products (the "Business") and the right to use in the operation of the Business the Company's trade names, trademarks and service marks (the "Proprietary Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of Businesses (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized facility: (the "Business Premises").

1. The Company possesses certain proprietary and confidential information and trade secrets relating to the operation of the System, which include, without limitation, standards and specifications for an emergency garment restoration Business, information about proprietary merchandise, the DASH Software and any proprietary software Franchisor may now or in the future create, and the Company's operations manual, the company's copyrighted materials, methods and other techniques and know-how concerning the of operation of the Business, and standards and specifications for certain trade secrets. (the "Confidential Information").

2. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

3. As \_\_\_\_\_ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Evans Garment Restoration II, LLC confidential operations manual (the "Manual") and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as \_\_\_\_\_ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can

demonstrate that such information has become generally known or is easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which operates or licenses any other garment restoration businesses, or any business which offers garment restoration products and services, except for another Business operating under the System and Proprietary Marks.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. This Agreement shall be construed under the laws of the state in which Franchisee's Business is located. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

**SIGNATURE PAGE FOLLOWS**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

**ACKNOWLEDGED BY FRANCHISEE:**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT C**  
**to**  
**EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION**

Bank Name : \_\_\_\_\_

ABA# : \_\_\_\_\_

Acct. No. : \_\_\_\_\_

Acct. Name : \_\_\_\_\_

Effective as of the date of the signature below, \_\_\_\_\_ (“Franchisee”) hereby authorizes Evans Garment Restoration II, LLC (“Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchised business located at \_\_\_\_\_: (1) the Royalty Fee, (2) the Fund Contribution, (3) the Software Fee, (4) all amounts due for supplies purchased from Franchisor, and (5) all other fees due under the Franchise Agreement executed by Franchisee and Company. Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization shall remain in full force and effect until terminated in writing by Company. Franchisee shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

**FRANCHISEE:**

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

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

Title: \_\_\_\_\_

**EXHIBIT D to  
EVANS GARMENT RESTORATION II, LLC  
FRANCHISE AGREEMENT**

**DEPOT ADDENDUM TO THE EVANS GARMENT RESTORATION II, LLC  
FRANCHISE AGREEMENT**

This Depot addendum (the “Depot Addendum”) to the Evans Garment Restoration II, LLC Franchise Agreement is made and entered into on \_\_\_\_\_ (the “Effective Date”), by and between Evans Garment Restoration II, LLC, a Tennessee limited liability company, whose address is 1750 Transport Avenue, Memphis, Tennessee 38116 (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

**BACKGROUND**

A. Contemporaneous with the execution of this Depot Addendum, Franchisee has entered into a Franchise Agreement (the “Franchise Agreement”) with Franchisor pursuant to which Franchisee obtained the right and undertook the obligation to establish and operate an Evans Garment Restoration and Lyons Restores Depot business (the “Depot Business”).

B. Franchisee already owns and operates a Franchised Business that is authorized to offer and provide all Approved Services and serve as the principal location and Franchisee’s headquarters pursuant to a franchise agreement with Franchisor dated \_\_\_\_\_ (the “Prior FA”), which is located at \_\_\_\_\_ (the “Principal Location”).

C. The parties wish to amend the terms of the Franchise Agreement pursuant to the terms and conditions set forth in this Addendum.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, Franchisor and Franchisee hereby agree as follows:

1. **No Existing Facility.** All relevant sections of the Franchise Agreement are hereby amended such that all references to the term “Existing Facility” are replaced with the term “Depot Facility.” The Depot Facility is defined as the premises of the Depot Business, located in a Territory adjacent to that of the Principal Location, which Franchisor has approved prior to execution of the Franchise Agreement.

2. **Non-Restoration Services.** Depots operate in concert with the Principal Location and provide emergency clothing restoration services, wash and fold services, customer reviews and storage at the Depot Facility. Notwithstanding anything to the contrary in the Franchise Agreement, all other non-restoration services shall be performed at the Principal Location.

3. **Exclusive Territory.** Notwithstanding anything to the contrary contained in Section 1.3 of the Franchise Agreement, Franchisee shall be permitted to provide services to customers residing in the territory of the Principal Location, and the Principal Location shall be permitted to provide services to customers residing in the Territory of the Depot Business, provided the same individual or entity owns both the Principal Location and the Depot.

4. **Royalty Fee.** Section 3.2 of the Franchise Agreement is hereby amended to provide that the Royalty Fee shall be based on Gross Program Sales as defined in Section 2 of this Depot Addendum if the Principal Location is a Tier 2 business, and that the Royalty Fee shall be based on Gross Sales as defined in Section 3.2.1 of the Franchise Agreement if the Principal Location is a Tier 1 Business. Franchisee must pay Franchisor a monthly royalty fee equal to six percent (6%) of Gross Program Sales or Gross Sales, depending on whether the Principal location is a Tier 1 or Tier 2 Business (the “Depot Royalty Fee”).

5. **Gross Program Sales.** Gross Program Sales includes all revenues you generate from all Restoration Services or related services provided in connection with Franchisor’s mark at or from your facility during the preceding reporting period, including amounts received, whether from a partial payment or a payment in full, from the sale and delivery of any services, products, merchandise, and tangible property relating to the Restoration Services or bearing the Proprietary Marks, whether in cash or for credit, and will be based on the amount actually collected during the preceding reporting period. Gross Program Sales specifically exclude revenue from restoration and other services provided to existing customers outside Franchisor’s insurance company referral program (“Non-Program Work”). In the event that you participate in any National Account discount promotion, Gross Program Sales shall include the amount actually collected for the Restoration Services rendered to the National Account customer after any discounts or commissions. No deductions shall be made for any other discounts, commissions, referral fees, expenses or other adjustments not approved in writing by Franchisor. Gross Program Sales does not include the amount of any applicable sales tax imposed by any federal, state, municipal, or other governmental authority if the taxes are stated separately when the customer is charged and you pay taxes as and when due to the appropriate taxing authority. Also excluded from Gross Program Sales is the amount of any documented refunds, chargebacks, credits and allowances given to customers in good faith and in accordance with our operating procedures. No other fees or expenses may be deducted from Gross Program Sales other than those explicitly enumerated in this paragraph. All barter and exchange transactions for which you furnish services or products in exchange for goods or services to be provided to you by a vendor, supplier, or customer will be valued at the full retail value of the goods or services provided to you.

6. **Ongoing On-Site Assistance.** Notwithstanding anything to the contrary in Section 6.3 of the Franchise Agreement, Franchisee will solely responsible for Franchisor’s travel, meal, lodging, and payroll expenses in connection with its training personnel providing any on-site assistance after the Franchised Business has either (a) launched operations, or (b) is required to launch operations under the Franchise Agreement.

7. **Release.** Franchisee, for themselves and all persons and entities claiming by, through, or under them, hereby release, acquit and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors, and assigns (the “Franchisor Releasees”) from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney’s fees, actions or causes of action whatsoever, whether known or unknown, which it, by itself, on behalf of, or in conjunction with any other person, persons, partnership or corporation, has, had or claims to have against the Franchisor Releasees arising out of or related to the offer or sale of the Franchise Agreement, or the operation of the Franchised Business, and the parties’ rights or obligations under the Franchise Agreement, up to and including the date of this Depot Addendum.

8. **Defined Terms.** Terms defined in the Franchise Agreement and not defined in this Depot Addendum have the meaning defined in the Franchise Agreement.

9. **Entire Agreement.** The Franchise Agreement and this Depot Addendum constitute the entire, full, and complete agreement between Franchisor and Franchisee concerning the Franchised Business, and supersede any and all prior agreements. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Depot Addendum, the terms of the Addendum will control.



Except as amended hereby, all the other terms and conditions of the Franchise Agreement are ratified and confirmed.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Depot Addendum the date and year first written above.

**FRANCHISOR:**

**EVANS GARMENT RESTORATION II, LLC**

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT E to**  
**EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE AGREEMENT**  
**SOFTWARE SUBLICENSE AGREEMENT**

## **SOFTWARE SUBLICENSE AGREEMENT**

This Software Sublicense Agreement (the “Agreement”) is entered into on \_\_\_\_\_ (the “Effective Date”) by and between: (i) Evans Garment Restoration II, LLC, a Tennessee limited liability company with a principal place of business at 1750 Transport Avenue, Memphis, Tennessee 38116 (the “Sub-Licenser”); and (ii) \_\_\_\_\_, a/an \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Licensee”).

### **BACKGROUND**

A. On or around \_\_\_\_\_, Licensee entered into a franchise agreement with Sub-Licenser (the “Franchise Agreement”), under which Licensee obtained the right and undertook the obligation to own and operate a “Evans Garment Restoration” and “Lyons Restores” franchise (the “Franchised Business”) from a location that Sub-Licenser approves (the “Principal Location”) or depot location (the “Depot Location”) utilizing Sub-Licenser’s proprietary marks (the “Proprietary Marks”) and proprietary operating system (the “System”). For purposes of this Agreement, Sub-Licenser’s franchise program and system will be referred to collectively as the “Franchise Program”.

B. Sub-Licenser has entered into a master license agreement with Next Gear Solutions, Inc. f/k/a Next Gear Solutions, LLC, a Mississippi corporation having its principal office at 9 Industrial Park Drive, Suite 110, Oxford, MS 38655 (the “Developer”) and certain addenda thereto (collectively, the “Master License Agreement”), under which Sub-Licenser obtained the right to (a) use certain software defined as the “DASH Software” and the “Customized Software” (collectively, these software will be referred to as the “Licensed Software”) in connection with its own business operations, and (b) sublicense to third-party licensees/franchisees, including Licensee, the right to use the Licensed Software in connection with the operation of these third parties’ respective Evans Garment Restoration and Lyons Restores franchises. For purposes of this Agreement, any and all user documentation that Developer provided to Sub-Licenser in connection with the Licensed Software will be considered part of the defined term “Licensed Software”. The Master License Agreement is currently pending renewal and this Agreement may be updated to address any changes in the Master License Agreement.

C. Licensee now desires to obtain a sublicense from Sub-Licenser to use the Licensed Software solely in connection with the operation of the Franchised Business at the Principal Location and/or Depot Location, and Sub-Licenser desires to grant Licensee the foregoing sublicense to use the Licensed Software in such a manner, all subject to the terms and conditions of this Agreement.

### **AGREEMENT**

1. **Background.** The Background portion of this Agreement, including all definitions and provisions set forth therein, are hereby incorporated into this Agreement by reference as if fully set forth in this Section.

2. **Sublicense Grant.** Subject to the terms and conditions set forth in this Agreement and for so long as Licensee complies with the terms herein, Sub-Licenser hereby grants Licensee the non-exclusive, non-transferable license to use the Licensed Software solely in connection with the operation of the Franchised Business from the Principal Location or Depot Location (and otherwise in accordance with the terms of the Franchise Agreement). Unless otherwise agreed to in writing by Sub-Licenser, Licensee may not make any copy of the Licensed Software for any purpose, including archival purposes. The sublicense granted hereunder includes the right to use any updates, upgrades or fixes to the Licensed Software (collectively, the “Content Updates”) that (a) Developer provides and licenses to Sub-Licenser pursuant to the terms of the Master License Agreement, and (b) Sub-Licenser subsequently approves for use in

connection with the Franchise Program. For purposes of this Agreement, Content Upgrades that are licensed under this Agreement will be included in the definition of “Licensed Software”.

a. The parties understand and agree that, in the course of operating the Franchised Business from the Principal Location or Depot Location, Licensee may be required to access and utilize the Licensed Software at ancillary depots utilized in connection with the Franchised Business, as well as at remote locations in the field, and that such usage of the Licensed Software is permitted under this license provided such additional use of the Licensed Software is required to operate the Franchised Business and obtain/transmit data to be processed at the Principal Location or Depot Location.

b. This license does not grant Licensee any right to use the Licensed Software in any manner in connection with any other Evans Garment Restoration or Lyons Restores franchise that has a primary location other than the Principal Location or Depot Location. This license only applies to the operation of the single Franchised Business defined herein.

3. **Term.** The initial term of this Agreement will be five (5) years from the execution of the Franchise Agreement (the “Initial Term”), unless earlier terminated by Sub-Licensor in accordance with the terms hereof. The term of this Agreement will automatically renew for two successive, five (5) year terms in the event Licensee renews the Franchise Agreement, unless Sub-Licensor provides prior written notice to Licensee that Sub-Licensor will no longer be using the Licensed Software in connection with the Franchise Program. Nothing in this Section shall preclude or otherwise affect Sub-Licensor’s right to terminate this Agreement in accordance with the terms of Section 10 hereof.

4. **License Restrictions.** Licensee may not conduct, cause or permit the: (i) use, copying, modification, rental, lease, sublease, sublicense or transfer of the license granted hereunder or any part of the Licensed Software except as expressly provided in this Agreement; (ii) creation of any derivative works based on the Licensed Software; (iii) reverse engineering, disassembly or decompiling of the Licensed Software; (iv) use of the Licensed Software in connection with service bureau, facility management, timeshare, service provider or like activity whereby Licensee operates or uses the Licensed Software for the benefit of a third party; (v) use of the Licensed Software by any party other than Licensee and its trained personnel; (vi) use of a later version of the Licensed Software other than the version that is the subject of this Agreement, unless and until (a) Sub-Licensor approves the use of such updated software, and (b) Licensee obtains a license (from Sub-Licensor or other party that Sub-Licensor designates) to use such later version; or (vii) use of the Licensed Software (x) at any location other than the Principal Location or Depot Location (and ancillary non-primary locations described in Section 2(a) above), or (y) in any manner other than as necessary to operate the Franchised Business.

## 5. **License Fees.**

a. *Initial License Fee.* Immediately upon execution of this Agreement, Licensee shall pay Sub-Licensor its then-current initial license and set-up fee, which is currently \$5,000.

b. *Annual License Fee.* At least thirty (30) days prior to each anniversary of the Effective Date, Licensee must pay an annual license fee amounting to \$2,000, unless this Agreement is not renewed pursuant to the terms set forth in Section 3 of this Agreement.

c. *Support Fee (Principal Location).* Licensee must pay the then-current monthly support fee, which is currently \$510 per month, which will be due and payable on or before the twentieth (20<sup>th</sup>) of each calendar month for the support services to be rendered in the following calendar month (or other date selected by Sub-Licensor). The parties agree that such support services will be provided directly by Developer and not by Sub-Licensor.

d. *Support Fee (Depot Location)*. If Licensee operates a Depot Location, Licensee must pay the then-current monthly support fee, which is currently \$150 per month, which will be due and payable on or before the twentieth (20<sup>th</sup>) of each calendar month for the support services to be rendered in the following calendar month (or other date selected by Sub-Licensor). The parties agree that such support services will be provided directly by Developer and not by Sub-Licensor.

e. All amounts due and owing Sub-Licensor under this Agreement may be collected by Sub-Licensor automatically via electronic funds transfer. The parties also agree and acknowledge that Sub-Licensor may increase any recurring fees due under this Agreement by no more than five percent (5%) each calendar year above the prices outlined in this Section.

**6. Ownership/Title and Intellectual Property Rights Related to the Licensed Software.** The parties agree and acknowledge that the Licensed Software is proprietary property and is: (i) owned by (a) Developer or (b) certain third party(ies) that Developer has obtained a license from permitting Developer to sublicense the right to such property to Sub-Licensor as set forth in the Master License Agreement; and (ii) according to the Master License Agreement, protected by copyright law. In light of the foregoing, Licensee agrees and acknowledges the following provisions:

a. *Computer Code*. The object code and the source code used in the Licensed Software are proprietary to the Developer and title to it remains with the Developer. Developer exclusively retains all applicable rights in, and protections for, copyrights, trade secrets, patents, trademarks and other intellectual property rights in the source code and object code used in the Licensed Software and any modifications or enhancements thereof, whether initiated by Developer, whether made at Sub-Licensor's request or otherwise undertaken, and nothing in this Agreement shall be construed to limit Developer's right or ability to use, reproduce, license, market, or distribute: (i) the object code or source code in the Licensed Software; or (ii) any derivative software based on the Licensed Software. Licensee acknowledges that it shall not have any rights in or to the object code or source code in the Licensed Software or any derivative software based on the Licensed Software.

b. *Documentation*. The user documentation that Developer provided to Sub-Licensor in connection with the Licensed Software (collectively, the "Documentation") is also proprietary to Developer and right and title to it remains with the Developer. Developer exclusively retains all applicable rights in, and protections for, copyrights, trade secrets, patents, and other intellectual property rights in the Documentation and any modifications or enhancements thereof, whether initiated by Developer, made at Sub-Licensor's request, or otherwise undertaken, and nothing in this Agreement shall be construed to limit Developer's right or ability to use, reproduce, license, market or distribute the Documentation or any products based on the Documentation. Licensee must include all relevant Developer copyrights, notice and marks in connection with any use of the Documentation, and must not distribute the Documentation to any third party for any reason (except as expressly permitted by Sub-Licensor with the approval of Developer).

c. *Trade Marks*. Developer's proprietary marks (collectively, the "Developer's Marks") are proprietary to Developer and title to Developer's Marks remains with Developer. Developer exclusively retains all applicable rights in, and protections for, copyrights, trademarks and other intellectual property rights in Developer's Marks. Licensee acknowledges that portions of the Licensed Software will be marketed by Sub-Licensor under the "Evans Garment Restoration" and "Lyons Restores" marks, but that Developer's Marks may be referred to from time to time as well. Licensee may not use any of Developer's Marks or any of Sub-Licensor's Proprietary Marks in any manner, except as approved by Sub-Licensor (whether in the License Agreement, the Operations Manual provided to Licensee in connection with the Franchised Business, or otherwise in writing).

d. *Trade Secrets.* Licensee acknowledges and agrees that the source code and object code in the Licensed Software are Developer's exclusive property and constitute a valuable trade secret of Developer.

e. *Security.* Licensee agrees to secure and protect the Licensed Software and Documentation in a manner consistent with the maintenance of Developer's rights therein and to take appropriate action by instruction or agreement with its employees, agents, or consultants who are permitted access to the Licensed Software and Documentation to satisfy Licensee's obligation hereunder. Licensee shall remove the access credentials of any former employee prior to or immediately upon the termination or separation of that employee, and take any and all steps to ensure that the former employee no longer has any access to customer personal information ("PII") through the Licensed Software.

7. **Required Use.** Unless otherwise agreed to by Sub-Licensors in writing, Licensee may not use any other third-party software that serves a similar function to the Licensed Software in connection with the Franchised Business at any time.

## 8. **Confidentiality and Confidential Live Claims Data.**

a. *Confidentiality Provisions of License Agreement Applicable.* Any and all confidential or proprietary information that is provided to Licensee in connection with or otherwise associated with the Licensed Software or this Agreement, whether belonging to Sub-Licensors or Developer, will be considered "Confidential Information" as that term is defined in the License Agreement, and Licensee must strictly adhere to all confidentiality, non-disclosure and other provisions that are applicable to "Confidential Information" under the License Agreement.

b. *Confidential Live Claims Data.* For purposes of this Agreement, the term "Confidential Live Claims Data" means any and all customer/claims data that Licensee collects or obtains from its clientele or prospective clientele that is protected by personal information protection laws and/or the confidentiality provisions of the License Agreement, whether or not such data is input into (or otherwise used in connection with) the Licensed Software. Licensee agrees to treat such Confidential Live Claims Data as "Confidential Information" (as this term is defined in the License Agreement) and to comply with all confidentiality, non-disclosure and other provisions applicable to such Confidential Live Claims Data under the License Agreement. Licensee further agrees and acknowledges that all Confidential Live Claims Data shall be the sole and exclusive property of Sub-Licensors and must be (a) provided to Sub-Licensors within a reasonable time after Sub-Licensors requests such information in writing; and (b) returned to Sub-Licensors upon expiration/termination of the License Agreement.

c. *Developer's Limited Right to Use Confidential Live Claims Data.* Pursuant to the terms of the Master License Agreement, Licensee agrees and acknowledges that Developer has the right to access Confidential Live Claims Data associated with the Franchised Business for the sole and limited purpose of conducting research and analysis related to the dry-cleaning/restoration industry as a whole, provided such access and use does not result in any activity that is competitive to Licensee or Sub-Licensors.

## 9. **Warranty and Indemnity.**

a. *Notice Regarding Licensed Software.* Licensee acknowledges that each component of the Licensed Software is complex computer software, and that its performance will vary depending upon the hardware platform, software interactions, and Licensed Software configuration. Licensee acknowledges that the Licensed Software is neither fault tolerant nor free from errors, conflicts, or interruptions. Licensee therefore accepts the responsibility of determining that the Licensed Software is suitable in quality and performance for use on the computer systems on which it may be installed.

b. *No Warranty.* UNLESS OTHERWISE EXPRESSLY STATED IN THIS AGREEMENT OR IN MANDATORY STATUTORY LEGISLATION APPLICABLE TO THIS SUBLICENSE AGREEMENT, SUB-LICENSOR AND DEVELOPER DISCLAIM AND EXCLUDE ALL WARRANTIES AND REPRESENTATIONS (EXPRESS OR IMPLIED, BY STATUTE OR OTHERWISE) IN RELATION TO THE LICENSED SOFTWARE, CONTENT UPGRADES AND DOCUMENTATION, INCLUDING WITHOUT LIMITATION, WARRANTIES OF TITLE, MERCHANTABILITY, SATISFACTORY QUALITY, NON-INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE OR ANY IMPLIED WARRANTY ARISING FROM THE COURSE OF DEALING OR USAGE OF TRADE. SUB-LICENSOR AND DEVELOPER MAKE NO WARRANTY THAT THE LICENSED SOFTWARE WILL OPERATE PROPERLY ON ANY SYSTEM(S), AND SUB-LICENSOR AND DEVELOPER SHALL HAVE NO LIABILITY THEREFOR. LICENSEE'S SOLE REMEDY IN CASE OF MALFUNCTION SHALL BE TO REQUIRE SUB-LICENSOR AND DEVELOPER TO MAKE A REASONABLE ATTEMPT TO CORRECT SAID MALFUNCTION.

c. *No Representations.* Licensee must not make any representation or warranty with respect to any of the Licensed Software on behalf of Sub-Licensor or Developer.

d. *Indemnity.* Licensee must defend, indemnify and hold Sub-Licensor and Developer harmless from any claim from a third party arising out of or related to: (i) Licensed Software installed outside generally accepted industry standards and/or any software virus introduced by Licensee to the Licensed Software; (ii) Licensee's acts and omissions in connection with this Agreement; and/or (iii) any loss or damage suffered by Sub-Licensor or Developer, for which Licensee has been compensated by a third party, which Sub-Licensor or Developer would not have suffered if Sub-Licensor or Developer were a third party beneficiary, if the law governing this Agreement prevents Sub-Licensor or Developer from being a valid third party beneficiary of this Agreement.

10. **Termination Rights.** Sub-Licensor may terminate this Agreement upon written notice to Licensee in the event: (i) Licensee fails to timely pay Sub-Licensor any amounts due under this Agreement and fails to cure such monetary breach within ten (10) days of receiving notice of said breach from Sub-Licensor; (ii) Licensee breaches any other provision of this Agreement and fails to cure such non-monetary breach within thirty (30) days of receiving notice of said breach from Sub-Licensor; (iii) Licensee becomes insolvent or seeks protection, voluntarily or involuntarily, under any bankruptcy law; or (iv) Licensee's License Agreement is terminated, or becomes subject to termination, by Sub-Licensor (or the License Agreement expires and is not renewed). In the event of any of the foregoing events that are grounds for termination under this Section, Sub-Licensor may elect to suspend all licensing of the Licensed Software and all other performance under this Agreement in lieu of terminating this Agreement. The parties agree and acknowledge that termination of this Agreement shall be grounds for termination of the License Agreement upon written notice. The rights and remedies described in this Section shall be cumulative and in addition to all other rights and remedies available to Sub-Licensor and Developer under applicable law and in equity.

11. **Post-Termination Rights.** Upon the termination or expiration of this Agreement for any reason, Sub-Licensor may: (i) declare all amounts owed to Sub-Licensor under this Agreement immediately due and payable; (ii) require that Licensee immediately cease any further use of the Licensed Software, Documentation or any portion thereof; (iii) cease performance of all of Sub-Licensor's obligations hereunder; and (iv) require the immediate return or destruction of any and all copies of the Documentation and Licensed Software (including any Content Upgrades). All confidentiality provisions applicable to the Documentation and Licensed Software shall survive the termination of this Agreement.

12. **LIMITATION OF LIABILITY.**

a. IN NO EVENT SHALL SUB-LICENSOR BE LIABLE TO LICENSEE FOR ANY INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES OR LOST PROFITS ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE PERFORMANCE OR BREACH THEREOF. IN NO EVENT SHALL SUB-LICENSOR BE LIABLE TO LICENSEE FOR ANY DAMAGES RESULTING FROM OR RELATED TO ANY FAILURE OF THE LICENSED SOFTWARE, INCLUDING, BUT NOT LIMITED TO LOSS OF DATA, OR DELAY IN THE PERFORMANCE OF SERVICES UNDER THIS AGREEMENT OR RELATED AGREEMENTS.

b. LICENSEE AGREES AND ACKNOWLEDGES THAT SUB-LICENSOR'S TOTAL AND CUMULATIVE LIABILITY ARISING FROM OR RELATING TO THIS AGREEMENT AND LICENSEE'S USE OF THE LICENSED SOFTWARE, WHETHER IN CONTRACT, IN TORT, UNDER A THEORY OF STRICT LIABILITY OR OTHERWISE, WILL BE LIMITED TO THE AGGREGATE AMOUNT ACTUALLY PAID TO SUB-LICENSOR BY LICENSEE UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTHS PRECEDING THE DATE THE CLAIM IS MADE. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE LIMITATIONS OF LIABILITY CONTAINED IN THIS SECTION 12 ARE REASONABLE AND A FUNDAMENTAL PART OF THIS AGREEMENT, AND THAT SUB-LICENSOR AND LICENSEE WOULD NOT AGREE TO ENTER INTO THIS AGREEMENT WITHOUT SUCH LIMITATIONS.

13. **Statute of Limitations.** Any claim arising out of or related to this Agreement against Sub-Licensor must be brought by Licensee no later than one (1) year after it has accrued.

14. **Entire Agreement.** This Agreement (including the License Agreement referred to herein) is the only agreement between the parties relating to the licensing of the Licensed Software and supersedes all prior understandings, writings, proposals, representations, or communications, oral or written, of either party related to the Licensed Software. This Agreement may be amended only by a writing executed by the authorized representative of both parties.

15. **Assignment.** Licensee may not assign, transfer or convey this Agreement, or otherwise delegate any of its obligations hereunder, to any third party without Sub-Licensor's prior written consent.

16. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee (without reference to its conflict of laws principals).

17. **Internal Dispute Resolution.** Licensee must first bring any claim or dispute between Licensee and Sub-Licensor to Sub-Licensor's President, after providing Sub-Licensor with written notice of such claim. Licensee must exhaust this internal dispute resolution procedure before Licensee may bring Licensee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

18. **Mediation.** At Sub-Licensor's option, all claims or disputes between Licensee and Sub-Licensor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Licensee and Sub-Licensor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 17 above, must be submitted first to non-binding mediation, in Memphis, Tennessee under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Sub-Licensor or its affiliates with respect to any such claim or dispute, Licensee must submit a notice to Sub-Licensor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Sub-Licensor



will have a period of thirty (30) days following receipt of such notice within which to notify Licensee as to whether Sub-Licensors or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Licensee may not commence any action against Sub-Licensors or its affiliates with respect to any such claim or dispute in any court unless Sub-Licensors fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Sub-Licensors. Sub-Licensors's right to mediation, as set forth herein, may be specifically enforced by Sub-Licensors. Each party shall bear its own cost of mediation and Sub-Licensors and Licensee shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement.

19. **Selection of Venue.** Except for Sub-Licensors's right to seek injunctive relief in any court of competent jurisdiction as set forth in Section 20, the parties expressly agree to the jurisdiction and venue of any state court of general jurisdiction in Memphis, Tennessee and the jurisdiction and venue of the United States District Court for the Western District of Tennessee. Licensee acknowledges that this Agreement has been entered into in the State of Tennessee, and that Licensee is to receive valuable and continuing services emanating from Sub-Licensors's headquarters in Memphis, Tennessee, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Licensee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Tennessee as set forth above.

20. **Right to Injunctive Relief.** Nothing in this Agreement shall prevent Sub-Licensors from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause Sub-Licensors loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions in any court of competent jurisdiction. If injunctive relief is granted, Licensee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Licensee expressly waives all claims for damages Licensee incurred as a result of the wrongful issuance.

21. **Waiver.** The waiver by either party of a breach or other violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provision of this Agreement.

22. **Enforceability.** The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and the Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

SIGNATURE PAGE FOLLOWS

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

**SUB-LICENSOR**

**LICENSEE**

**EVANS GARMENT RESTORATION II, LLC**

\_\_\_\_\_

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT F**  
**TO EVANS GARMENT RESTORATION II, LLC'S**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**STATE SPECIFIC ADDENDA**

**EVANS GARMENT RESTORATION II, LLC**  
**CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code Sections 31000 et seq. the Franchise Disclosure Document (“FDD”) for Evans Garment Restoration II, LLC for use in the State of California shall be amended as follows:

Item 3 of the FDD is supplemented to include the following:

Neither Evans Garment Restoration II, LLC, nor any person or franchise broker listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the securities exchange act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

Item 6 of the FDD is supplemented to include the following:

The highest interest rate we can charge in California is 10% annually.

Item 17 of the FDD, and the Franchise Agreement shall be supplemented to include the following:

California Business & Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. Those provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

The Franchise Agreement contains covenants not to compete which extend beyond the termination of those respective agreements. Those provisions may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as the Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of a Franchise Agreement restricting venue to a forum outside the state of California.

The Franchise Agreement requires application of the law of the State of Tennessee. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the Franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release of claims if you transfer or renew your Franchise Agreement. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business Professions Code 2000 through 20043).

Item 17 of the FDD is amended by the addition of the following:

The Franchise Agreement is hereby amended by removing Sections 19 (Representations) 23 (Acknowledgments) in the State of California.

Exhibit I of the FDD is amended by the addition of the following:

Any franchisees being sold a franchise that is subject to compliance with the California Franchise Investment Law will not be required to execute this Exhibit I.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of law.

No statement, questionnaire, or acknowledgement signed 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.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

**THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.**

**OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).**

**EVANS GARMENT RESTORATION II, LLC  
CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT**

**ADDENDUM REQUIRED BY THE STATE OF CALIFORNIA**

The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer and non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of law.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

**THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAW OF TENNESSEE AND A FORUM WHERE FRANCHISOR'S HEADQUARTERS IS LOCATED. THESE PROVISIONS MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.**

The Franchise Agreement requires non-binding mediation. The mediation will occur at Franchisor's headquarters, with the prevailing party's costs and expenses to be borne by the other party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Mediation Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Section 3 of the Franchise Agreement is amended, in compliance with California Corporations Code § 310.113, to require that Franchisor may only collect the Initial Franchise Fee after Franchisor has completed all of its initial obligations under the Franchise Agreement.

The Franchise Agreement is hereby amended by removing Sections 19 (Representations) 23 (Acknowledgments) in the State of California.

No statement, questionnaire, or acknowledgement signed 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.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**EVANS GARMENT RESTORATION II, LLC**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_

**FRANCHISEE**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_

**INDIANA ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF INDIANA ARE HEREBY AMENDED AS FOLLOWS:**

1. Any agreement executed in and operative within the State of Indiana shall be governed by applicable Indiana franchise laws and the right of any franchisee to institute a civil action or initiate

arbitral proceedings within the State of Indiana shall not be deemed to have been abridged in any form or manner by any provisions contained in this Agreement.

2. In compliance with Indiana Code 12-2-2.7-1(9), any provisions in this Franchise Agreement relating to non-competition upon the termination or non-renewal of the Franchise Agreement shall be limited to a geographic area not greater than the Franchise Area granted in this Franchise Agreement and shall be construed in accordance with Indiana Code 23-2-2.7-1(9).

3. Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.

4. Indiana Code section 23-2.2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contracts regarding liquidated damages. Accordingly, any provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.

5. In compliance with Indiana Code 23-2-2.7-1(10), any inference contained in this Franchise Agreement to the effect that the Franchisor “is entitled” to injunctive relief shall, when applicable to a Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted, understood to mean and replace the words “may seek”.

6. Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.

7. Indiana Code section 23-2.2.7-1 makes it unlawful for a franchisor to terminate a franchise without good cause or to refuse to renew a franchise on bad faith.

8. Any reference contained in this Franchise Agreement to a prospective franchisee's “exclusive Franchise Area” shall, in any Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted and replaced with the words “non-exclusive Franchise Area”.

9. In compliance with Indiana Code 23-2-2.7-1(5), any requirement that the Franchisee must execute a release upon termination of this Agreement shall not be mandatory and is hereby made discretionary. However, Franchisee shall execute all other documents necessary to fully rescind all agreements between the parties under this Agreement.

10. No statement, questionnaire, or acknowledgement signed 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.



The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**FRANCHISOR:**

**EVANS GARMENT RESTORATION  
II, LLC**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_

**MARYLAND ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT**

1. The “**Provision**” section of Item 17(c) entitled **Requirements for franchise to renew or extend**, and the “**Provision**” section of Item 17(m) entitled **Conditions for franchisor approval of transfer**, are amended by adding the following:

Any general release you sign shall not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law.

2. The “**Provision**” section of Item 17(h) entitled “**Cause**” defined – **non-curable defaults**, is amended by adding the following:

The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following are added to the end of the chart in Item 17:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

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

4. 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.

## **MARYLAND ADDENDUM TO FRANCHISE AGREEMENT**

The following provisions will supersede anything to the contrary in the Franchise Disclosure Document or Franchise Agreement and will apply to all franchises offered and sold under the laws of the State of Maryland:

1. The laws of the State of Maryland may supersede the Franchise Agreement, including the areas of termination and renewal of the Franchise.
2. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the Franchise.
3. Section 18.4 of the Franchise Agreement requires venue to be limited to Tennessee. This provision is deleted from all Franchise Agreements for residents of the State of Maryland and/or franchises to be operated in the State of Maryland.
4. The following sentence is added at the end of Section 14.3.2 of the Franchise Agreement ("Conditions for Approval"):

"The release of claims required as a condition of sale shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

5. The following language is added to the last sentence of Section 22.1 of the Franchise Agreement ("Entire Agreement"): "provided, however, that the previous language is not intended to, nor will it, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."
6. Any Section of the Franchise Agreement requiring the Franchisee to execute a General Release is amended to state that "The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."
7. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.
8. Sections 19 and 23 are hereby removed from the Franchise Agreement.
9. The following is hereby added to the Franchise Agreement:

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.

12. The Franchisee Disclosure Questionnaire does not apply to Maryland franchisees and should not be signed by Maryland franchisees.

**EVANS GARMENT RESTORATION II, LLC**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE: \_\_\_\_\_**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT G**  
**TO EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES AS OF DECEMBER 31, 2022**

<b>Franchisee Name</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Franchise Owner</b>
CCG Enterprises, LLC	15480 North Pima Rd.	Scottsdale	AZ	85260	Josette Varela Amanda Guevara Barry Cannon
Judi's Cleaners, Inc.	6140 Auburn Blvd.	Citrus Heights	CA	95621	Ben Combs
Davis Imperial Cleaners	3325 Bryn Mawr Avenue	Chicago	IL	60659	Jordan Wood
Benito Restoration, LLC	1333 Washington Blvd.	Kansas City	KS	66102	Fabian Benito
JC Kensington (International), Inc.	2421 Crofton Lane, Suite 4	Crofton	MD	21114	Patrick Bergmann
R&W Fish, Inc.	108 Peavey	Chaska	MN	55318	Ryan & Kristy Fish
Quality Care Cleaners	25 Amity Street	Little Falls	NJ	7424	Juan Gaona
Restoration Dry Cleaners, Inc.	35 Fifth Avenue	Bay Shore	NY	11706	Toni Manciso
2385 Elmwood, LLC	2375 Elmwood Ave	Kenmore	NY	14217	Paul Billoni
Kemba, LLC	2609 Reliance Ave	Apex	NC	27539	Brett Allan

**LIST OF FRANCHISEES WHO HAVE SIGNED FRANCHISE AGREEMENTS**  
**BUT NOT YET OPENED AS OF DECEMBER 31, 2022**

*None.*

**EXHIBIT H**  
**TO EVANS GARMENT RESTORATION II, LLC'S**  
**FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FORMER FRANCHISEES THAT LEFT SYSTEM IN THE PAST FISCAL YEAR**

<b>Franchisee Name</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Basis for Exit in 2022</b>
Modern Textile Solutions, LLC	7739 Industry Avenue	Pico Rivera	CA	90660	Ceased Operations for Other Reasons

**EXHIBIT I**  
**TO EVANS GARMENT RESTORATION II, LLC'S**  
**FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISEE QUESTIONNAIRE**

**THIS QUESTIONNAIRE DOES NOT APPLY TO CANDIDATES LOCATED IN, OR FRANCHISED BUSINESSES TO BE LOCATED IN, ANY OF THE FOLLOWING FRANCHISE REGISTRATION STATES : CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI.**

**FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, SUCH PROSPECTIVE FRANCHISEE SHOULD NOT COMPLETE THIS QUESTIONNAIRE OR RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.**

The date of my first face-to-face meeting with an Evans Garment Restoration II, LLC Franchise Marketing Representative, Franchise Broker or any other person to discuss the possible purchase of a Franchise was \_\_\_\_\_, 20\_\_\_\_. Franchisee's Initials \_\_\_\_\_

The date on which I received a Franchise Disclosure Document was \_\_\_\_\_, 20\_\_\_\_. Franchisee's/AR's Initials \_\_\_\_\_

The date when I received a fully completed copy (other than signatures) of the Franchise Agreement I later signed was \_\_\_\_\_, 20\_\_\_\_. Franchisee's Initials \_\_\_\_\_

The earliest date on which I signed the Franchise Agreement or any other binding document (not including the Receipt page) was \_\_\_\_\_, 20\_\_\_\_. Franchisee's Initials \_\_\_\_\_

The earliest date on which I delivered cash, check or other consideration to the Franchise Marketing Representative, Franchise Broker, Evans Garment Restoration II, LLC ("Franchisor") or any other person or company was \_\_\_\_\_, 20\_\_\_\_. Franchisee's Initials \_\_\_\_\_

Representations:

No promises, agreements, contracts, commitments, understandings, "side-deals", options, rights-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to any representations or promises regarding advertising (television or otherwise), marketing, site location, operational assistance or otherwise) nor have I relied in any way on any such representation except as expressly set forth in the Franchise Agreement or any written addendum signed by me and the President of Franchisor except as follows:

\_\_\_\_\_  
\_\_\_\_\_.

(If none, the prospective Franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials \_\_\_\_\_

No oral, written or visual claim or representation, promise, agreement, contract, commitment, understanding or otherwise which contradicted, expanded upon or was inconsistent with the Franchise Disclosure Document or Franchise Agreement, was made to me by any person or entity, except as follows:

\_\_\_\_\_  
\_\_\_\_\_.

(If none, the prospective Franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials \_\_\_\_\_

Except as provided for in the Item 19 of the Franchise Disclosure Document, no oral, written or visual claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations) which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) was made to me by any person or entity, except as follows:

\_\_\_\_\_  
\_\_\_\_\_.

(If none, the prospective Franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials \_\_\_\_\_

No contingency, condition, prerequisite, prior requirement, proviso, reservation, impediment, stipulation, provision or otherwise exists with respect to any matter (including but not limited to obtaining financing, selection, purchase, lease or otherwise of a site, operational matters or otherwise) and/or with respect to my fully performing all of my obligations under the Franchise Agreement and/or any other documents to be executed by me nor have I relied in any way on any such, except as expressly set forth in a writing signed by me and the President of Franchisor, except as follows:

\_\_\_\_\_  
\_\_\_\_\_.

(If none, the prospective Franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials \_\_\_\_\_

I hereby understand that there will be no refunds. Franchisee's Initials \_\_\_\_\_

Except as set forth in Item 19 of the Franchise Disclosure Document, Franchisor does not make or endorse nor does it allow any marketing representative, broker or other individual to make or endorse any oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations) which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) with respect to this or any other Franchise, whether made on behalf or for Franchisor, any Franchisee, or other individual and expressly disclaims any such information, data or results.

In addition, Franchisor does not permit any promises, agreements, contracts, commitments, understandings, "side-deals", options, rights-of-first-refusal or otherwise or variations of, changes in or supplements to the Franchise Agreement or the existence of any contingencies or conditions to Franchisee's obligations except by means of a written Addendum signed by Franchisee and Franchisor.

If any such representations, "side-deals", contingencies or otherwise have been made by you by any person or otherwise exist, immediately inform the President of Franchisor.

Franchisee's Initials\_\_\_\_\_.



The prospective Franchisee understands and agrees to all of the foregoing and certifies that all of the above statements are true, correct and complete.

FRANCHISEE:

Dated: \_\_\_\_\_

**EXHIBIT J**  
**TO EVANS GARMENT RESTORATION II, LLC'S**  
**FRANCHISE DISCLOSURE DOCUMENT**

**SAMPLE RELEASE AGREEMENT**

## SAMPLE RELEASE AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Evans Garment Restoration II, LLC, a Tennessee limited liability company with a business address at 1750 Transport Avenue, Memphis, Tennessee 38116 (the "Franchisor"), and \_\_\_\_\_ a \_\_\_\_\_ with a principal address at \_\_\_\_\_ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor:** Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. Tennessee law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns,

successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of Illinois.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

**FRANCHISOR**

**RELEASOR**

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

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

**EXHIBIT K**  
**TO EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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>
California	November 2, 2023
Florida	September 14, 2023
Hawaii	Not registered
Illinois	Not registered
Indiana	September 6, 2023
Kentucky	Effective (one-time filing)
Maryland	Pending Registration
Michigan	Not registered
Minnesota	Not registered
Nebraska	Effective (one-time filing)
New York	Not registered
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Texas	Effective (one-time filing)
Utah	Not registered
Virginia	Not registered
Washington	Not registered
Wisconsin	Pending Registration

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.

**EXHIBIT L**  
**TO EVANS GARMENT RESTORATION II, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPTS**

## 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 Evans Garment Restoration II, LLC offers you a franchise it 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.

If Evans Garment Restoration II, LLC does 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 state administrator identified in Exhibit A of this Franchise Disclosure Document.

**New York and Rhode Island require 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 agreements or payment of any consideration that relates the franchise relationship. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

A list of franchisor's agents registered to receive service of process is listed as Exhibit B to this Franchise Disclosure Document.

I have received a Franchise Disclosure Document with an issue date of August 21, 2023, which included the following Exhibits:

Exhibit A –	List of State Administrators	Exhibit G –	List of Franchisees
Exhibit B –	List of Agents for Service of Process	Exhibit H –	List of Franchisees Who Have Left the System
Exhibit C –	Table of Contents of Operations Manual	Exhibit I –	Franchisee Questionnaire
Exhibit D –	Financial Statements	Exhibit J –	Sample Release Agreement
Exhibit E –	Franchise Agreement	Exhibit K –	State Effective Dates
Exhibit F –	State Specific Addenda	Exhibit L –	Receipts

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

Joel Lyons, c/o Evans Garment Restoration II, LLC; 1750 Transport Avenue, Memphis, TN 38116, (866) 933-8267; and Barry Cannon, c/o Evans Garment Restoration II, LLC; 1750 Transport Avenue, Memphis, TN 38116, (866) 933-8267.

**LIST OTHER INDIVIDUALS INVOLVED IN SELLING FRANCHISES AND THEIR ADDRESS AND PHONE NUMBERS HERE:**

\_\_\_\_\_  
\_\_\_\_\_

### SIGNATURE

Date: \_\_\_\_\_

\_\_\_\_\_ Franchisee

\_\_\_\_\_ (Print Name)

\_\_\_\_\_ (Telephone Number)

Complete Below for a Partnership, Corporation or Limited Liability Corporation:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Name of Company: \_\_\_\_\_

Address: \_\_\_\_\_

**TO BE RETURNED TO:**  
Evans Garment Restoration II,  
LLC  
1750 Transport Avenue  
Memphis, TN 38116

## RECEIPT

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Title: \_\_\_\_\_

Name of Company: \_\_\_\_\_

Address: \_\_\_\_\_

Please Retain This Copy For  
Your Records