



**FRANCHISE  
DISCLOSURE  
DOCUMENT**

United States 2023



## FRANCHISE DISCLOSURE DOCUMENT

Certified Restoration Drycleaning Network, LLC  
a Michigan Limited Liability Company, d/b/a CRDN  
2060 Coolidge Highway, Berkley, Michigan 48072  
800.963.CRDN  
[www.crdn.com](http://www.crdn.com)

A CRDN franchisee will provide restoration drycleaning services for clothing and textiles damaged in insured casualties.

The total investment necessary to begin operation of a CRDN franchised business is between \$63,650-\$513,850. This includes \$45,600 to \$64,600 that must be paid to the franchisor or its affiliates if you select the First Payment Package and \$24,600 to \$34,100 that must be paid to the franchisor or its affiliates if you select the Second Payment Package.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to us or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Dana Bramble at 2060 Coolidge Highway, Berkley, Michigan 48072, (248) 246-7870, [dana.bramble@thinkhuntington.com](mailto:dana.bramble@thinkhuntington.com).

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: April 28, 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:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
<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 A 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 CRDN business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a CRDN franchisee?</b>	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need to Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit E.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Michigan. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Michigan than in your own state.
2. **Sales Performance Requirement.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (Exhibit G) to see whether your state requires other risks to be highlighted.

## **NOTICE REQUIRED BY THE STATE OF MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchise assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials, which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same areas subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

**THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISEES IN MICHIGAN.**

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership for a franchise except for a good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current

reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchise or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE MICHIGAN ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTENTION: FRANCHISE SECTION, 525 W. OTTAWA STREET, WILLIAMS BUILDING, FIRST FLOOR, LANSING, MICHIGAN 48933; TELEPHONE NO. (517) 373-7117.

**TABLE OF CONTENTS**

ITEM 1. FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES..... 8  
ITEM 2. BUSINESS EXPERIENCE ..... 11  
ITEM 3. LITIGATION ..... 12  
ITEM 4. BANKRUPTCY ..... 12  
ITEM 5. INITIAL FEES..... 13  
ITEM 6. OTHER FEES ..... 15  
ITEM 7. ESTIMATED INITIAL INVESTMENT ..... 27  
ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 33  
ITEM 9. FRANCHISEE’S OBLIGATIONS ..... 37  
ITEM 10. FINANCING..... 38  
ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING 41  
ITEM 12. TERRITORY..... 48  
ITEM 13. TRADEMARKS ..... 53  
ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION ..... 55  
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE  
BUSINESS..... 57  
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL ..... 58  
ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION..... 61  
ITEM 18. PUBLIC FIGURES..... 64  
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS ..... 65  
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION ..... 80  
ITEM 21. FINANCIAL STATEMENTS ..... 88  
ITEM 22. CONTRACTS ..... 88  
ITEM 23. RECEIPTS ..... 89

**EXHIBITS**

EXHIBIT A. FINANCIAL STATEMENTS ..... 90  
EXHIBIT B. FORM OF FRANCHISE AGREEMENT ..... 91  
EXHIBIT C. FRANCHISE CONTACT INFORMATION..... 92  
EXHIBIT D. FORM OF ELECTRONIC FUNDS TRANSFER AUTHORIZATION ..... 104  
EXHIBIT E. LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS... 107  
EXHIBIT F. FORM OF ACCOUNTS RECEIVABLE PROMISSORY NOTE..... 111  
EXHIBIT G: STATE ADDENDA AND FRANCHISE AGREEMENT RIDERS..... 116  
EXHIBIT H: FORM OF OPERATIONS MANUAL TABLE OF CONTENTS ..... 138  
EXHIBIT I: FORM OF RELEASE ..... 141  
EXHIBITJ: FORM OF CONFIDENTIALITY, NON-DISCLOSURE, AND  
NON-COMPETITION AGREEMENT (FOR FRANCHISEE EMPLOYEES) ..... 144  
EXHIBIT K: RECEIPTS ..... 150

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS FRANCHISE DISCLOSURE DOCUMENT AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN THE INDIVIDUAL STATE DISCLOSURE PAGE AND/OR EXHIBIT G.



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

**The Franchisor**

The franchisor is Certified Restoration Drycleaning Network, LLC, which will be referred to in this disclosure document as (“we,” “us,” “our,” “CRDN,” and “Franchisor”). The terms “you,” “your,” “Franchisee,” or “CRDN franchisee” will refer to the person, and the legal entity (corporation, limited liability company, or partnership), that buys the CRDN franchise (the “Franchise”).

We are a Michigan limited liability company. Our principal place of business is 2060 Coolidge Hwy, Berkley, MI 48072. We do business under the names “Certified Restoration Drycleaning Network” and “CRDN.”

**Parents and Affiliates**

We do not do business under any other name than those, however, our owners have other businesses as described below. We do not have a parent company and we do not have any predecessors.

We have the following affiliates, all co-owned by our owners, Wayne M. Wudyka and Jeffrey C. Snyder (please see Item 2 below), and all with their principal address located at 2060 Coolidge Highway, Berkley, MI 48072: CRDN Investments, LLC, a Michigan limited liability company (“CRDN Investments”); and The Restoration Experts, LLC, a Michigan limited liability company (“Restoration Experts”). In addition, 26822 Coolidge, Inc. a Michigan corporation with its principal address located at 26822 Coolidge Highway, Huntington Woods, MI 48070, d/b/a Huntington Cleaners, Inc., and CRDN of Michigan and Northwest Ohio (collectively, “Huntington”) is our affiliate and is co-owned by Mr. Wudyka and Mr. Snyder. Finally, CRDN Textile and Electronics Restoration Canada ULC, a British Columbia unlimited liability corporation with its principal address located at 1000-595 Burrard Street, Vancouver, British Columbia (“CRDN of Canada”) is our affiliate as is its sole shareholder, CRDN of Canada, Inc., a Michigan corporation with its principal address located at 2060 Coolidge Highway, Berkley, MI 48072 which is co-owned by Wayne M. Wudyka and Jeffrey C. Snyder.

CRDN Investments is in the business of providing financing and loans to franchisees of the CRDN Franchise System (as defined below) from time to time. CRDN Investments has not offered and does not now offer franchises in any line of business.

Restoration Experts was formed in April of 2016 and currently licenses its business for the performance of electronic restoration services and related services and technology, to CRDN and CRDN of Canada. CRDN and CRDN of Canada sublicense such rights to their respective franchisees for the performance of optional electronics restoration services under the Franchise System (as defined below). Restoration Experts has not offered and does not now offer franchises in any line of business.

CRDN of Canada offers CRDN franchises to franchisees located in Canada and it is the successor franchisor of CRDN of Canada, Inc. CRDN of Canada, Inc. had offered CRDN franchises to franchisees located in Canada between April 30, 2004 and November 1, 2016. On November 1, 2016, CRDN of Canada took assignment of and/or licensing use rights to all the existing Canadian Franchise Agreements for the Franchise System, as well as certain other related assets, including certain trademarks, and became the franchisor of the CRDN Franchise System in Canada. As of December 31, 2022, there were 14 CRDN franchises in Canada.

Huntington was purchased in 1992. Huntington is a commercial dry cleaning company and a franchisee of CRDN. Huntington does not pay any royalty fee, annual fee, successor term fee or advertising fund fee to CRDN. We utilize Huntington to test the CRDN Franchise System as well certain proposed improvements and modifications to the system. Huntington has not offered and does not offer franchises in any line of business.

### **Agent for Service of Process**

Our agents authorized to receive service of process are Mr. K. Dino Kostopoulos with a principal business address of 550 W Merrill St Suite 100, Birmingham, MI 48009 and those persons/entities listed in Exhibit E of this disclosure document.

### **Prior Experience**

Since June 12, 2001, CRDN has been selling franchises for the performance of textile restoration dry cleaning and related services for textiles and soft contents items damaged in insured casualties (the "CRDN Business") in the United States, and in the United Kingdom through a sub-franchisor relationship. CRDN has also offered an optional electronics restoration program since 2016, an optional art and collectibles restoration program since June 2020, and an optional full-service contents restoration program through a pilot since February of 2022 and network wide since August 2022, all as described further below. Please note the following about CRDN:

The Franchisor does not operate a business of the type being offered. However, as described above, its affiliate, Huntington, does operate a business of the type being offered.

Except as otherwise stated in this disclosure document, neither the Franchisor nor its affiliates provide products or services to Franchisees of the Franchisor.

The Franchisor has not been, and is not currently, involved in the offering of franchises, or participating in business other than the kind described in this disclosure document.

As of December 31, 2022, we have 125 CRDN franchises in the United States (including the location owned and operated by Huntington) and 7 franchises in the United Kingdom, through our Sub-Franchisor relationship.

### **The Business We Offer**

CRDN has developed certain proprietary systems, methods, procedures know-how, computer software programs and other associated trade secrets with respect to the CRDN Business (collectively the "Franchise System").

We offer, to those who meet our qualifications the opportunity to be awarded a CRDN franchise through which they will offer textile restoration services for clothing and soft goods that have been damaged in an insured casualty (the "Franchised Business"). Each Franchise will be awarded a unique geographic territory (the "Franchise Territory") which will not be awarded to any other franchise, subject to certain marketing and servicing requirements.

We have typically offered franchises to owners with existing dry cleaning, textile restoration, and/or contents restoration businesses; however, if you do not have such an existing business, but otherwise meet our qualifications, we may offer you a franchise so long as you establish a processing plant and comply with any other additional obligations we may require.

### **The Market for CRDN Services**

Our services provide insurance companies an economical alternative to replacement of damaged goods. The most frequent type of restoration is providing for goods damaged by water or smoke from a fire. Because the alternative to restoration is replacement, which is much more costly, insurance companies are increasingly turning to textile restoration to reduce the amounts they must pay out on claims.

CRDN has established a CRDN general operations manual (the "Operations Manual") which provides guidelines and details regarding the Franchise System and provides you with the information needed to establish and carryout the Franchised Business. All services performed by you must be rendered in accordance with the Operations Manual.

As part of the Franchise System and in accordance with the Operations Manual, you will market your Franchised Business' services directly to insurance adjusters, general contractors of re-construction services, contents cleaning companies, and third-party administrators. Once authorized to provide the service on a particular claim, your employees will pick up damaged items directly from the home or business where the insured casualty occurred. These items will be taken to your processing plant for appropriate cleaning in accordance with the Operations Manual. You will store the items until delivery is requested, at which time your employees shall promptly return them to the owner. You will bill each insurance company, with the permission of the insured party, for your services in compliance with the terms of any applicable agreement in place with that insurance company.

The general market for the services is that of the insurance industry which, via multiple mechanisms and parties, services losses associated with fires, floods, odor and other damage to the homes and properties of insured persons and/or entities. The services offered through each Franchised Business are a component of the services rendered by insurance companies to such insured persons/entities. The market for CRDN services is a well-developed yet the structure and operation of insurance carriers and third party administrators carrying out the performance of restoration services continuously changes and CRDN has added optional services to meet the ever-changing industry needs.

Your competitors are independently owned and operated and/or franchised businesses or plants that offer textile restoration services.

### **Applicable Regulations**

There are no laws or regulations specific to the industry in which CRDN operates, however, you must comply with state and local regulations regarding handling and use of cleaning solvents and chemicals, general business licenses, licenses applicable to transporting items and operating a processing plant, and the proper return of personal items in the event an insured is non-responsive or otherwise cannot be located to take delivery of the items. You should investigate the application of these laws further.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

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

Wayne Wudyka - Chief Executive Officer and President	Mr. Wudyka is a founding partner of CRDN and has been CRDN's Chief Executive Officer since its launch in 2001. Mr. Wudyka has also served as CEO for all affiliates formed and/or acquired thereafter.
Jeffrey Snyder - Board Member	Mr. Snyder co-founded the CRDN concept with Mr. Wudyka and has been a board member of all affiliates since their respective formations and/or acquisitions. He has also served as Huntington's Vice President since 1992.
Jessica McGrath - Chief Administrative Officer and General Counsel	Ms. McGrath joined CRDN as In-House Counsel in January 2010, was promoted to Vice President and General Counsel in July 2016, and promoted to her current position as Chief Administrative Officer and General Counsel in January 2019. Ms. McGrath serves in the same role for all affiliates.
Bob Fearon - Chief Strategic Development Officer	Mr. Fearon joined CRDN in April 2005 and served as Director of Program Management until October 2012 when he became Director of Operations. He was promoted to Vice President of Operations in 2013, further promoted to President in July 2015, and appointed to his current position as Chief Strategic Development Officer in November 2021.
Steve Gibson – President	Mr. Gibson joined us in August 2019 as our Executive Vice President of Sales for CRDN and was promoted to President in November 2021. He worked for The ServiceMaster Company, LLC (“ServiceMaster”) out of Memphis, Tennessee from May 2015 until he came to work for us. At ServiceMaster, he served in the following positions: Senior Director – Strategic Sales for the Franchise Services Group (May 2015 through April 2018) and Vice President - National Sales for ServiceMaster Restore (April 2018 through August 2019).
Lynn Lineberger – Vice President of Operations	Ms. Lineberger was promoted to her current position as Vice President of Operations for CRDN in May 2019. Ms. Lineberger has worked for CRDN and/or its legal affiliates since July 2012 serving in the following roles: Operations and Marketing Manager - July 2012 through January 2015; Regional Manager - January 2015 through December 2016; and Manager of Training - December 2016 through May 2019.
Eric Niemiec – Vice President of Technology	Mr. Niemiec joined CRDN in October 2016 as Vice President of Technology and was promoted to Senior Vice President in November 2021. Mr. Niemiec serves in the same role for all affiliates.

Jennifer Johnson - Controller	Mrs. Johnson was promoted to her current position as Controller of CRDN in September 2019. Mrs. Johnson has worked for CRDN and/or its legal affiliates since January 2009 in the following roles: Accountant– January 2009 through December 2016; Finance Manager (concurrently) – June 2012 – January 2017; Controller (for Huntington) from January 2017 through September 2019.
Marc Liljegren - Director of Training	Mr. Liljegren joined CRDN in February 2020 as Director of Training - Art & Commercial and was promoted to the Director of Training at large in March 2021. From December 2013 until he joined CRDN, Mr. Liljegren worked for Restoration Specialties Franchise Group, LLC (RSFG) in Livonia, MI in the following roles: Director of Training and Integration – December 2013 through July 2016; Director of Franchise Operations & Training – July 2016 through January 2019; Director of Training and Special Projects - January 2019 through February 2020.
Michael Riegel - Director of Franchise Development	Mr. Riegel joined CRDN as the Director of Franchise Development in January 2023. Prior to working for us, Mr. Riegel worked for Rytech Restoration, Inc. in Kennesaw, GA as the Director of Franchise Development from January 2022 through January 2023. From November 2016 to December 2021, he held the position of Director of Franchise Development for PuroClean in Tamarac, FL.

**ITEM 3.**  
**LITIGATION**

No litigation information is required to be disclosed in this disclosure document.

**ITEM 4.**  
**BANKRUPTCY**

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

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

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

We offer two (2) payment packages for payment of initial fees, as described below. Initial fees are those due prior to your commencement of operations and payable to CRDN or one of our affiliates.

1. **First Payment Package**: You must pay an “Initial Franchise Fee” ranging from \$45,600 to approximately \$64,600 consisting of the following:
  - A. A “Fixed Licensing Fee” of sixteen thousand dollars (\$16,000);
  - B. A “Territory Fee” ranging from sixteen thousand dollars (\$16,000) to approximately thirty five thousand dollars (\$35,000) based on the number of households in your Franchise Territory. The Territory Fee is calculated as \$16,000 for the first 250,000 households in the Franchise Territory and \$0.02 per household for each additional household in the Franchise Territory; and
  - C. An “Initial Package Fee” of thirteen thousand dollars (\$13,600). The “Initial Package” includes a third party pricing platform interface development fee, and certain products and supplies as described in Exhibit B of the Franchise Agreement including, without limitation, marketing materials, branded items, one (1) in-field job processing tablet (“Tablet”) and the corresponding Tablet set up and training fee, and an one thousand dollars (\$1,000) CRDN convention or CRDN regional meeting allowance to offset registration expenses associated with attending the first CRDN convention or regional meeting.

You may pay the total Initial Franchise Fee in one lump sum upon signing the Franchise Agreement. Alternatively, you can receive financing from us for part of the Initial Franchise Fee. If you choose to receive financing, you must pay one-third (1/3) of the Initial Franchise Fee upon signing the Franchise Agreement and pay the remaining two-thirds (2/3) balance in 12 equal monthly installments, at an interest rate of 10% starting on the first of the month following completion of your Initial Training (defined below). Financing terms are provided in Item 10 of this disclosure document. If you choose to receive financing, you must sign a promissory note (the “Note”) with us, substantially in the form attached as Exhibit 2A to the Franchise Agreement (the Franchise Agreement is Exhibit B to this disclosure document).

2. **Second Payment Package**: You must pay an “Initial Franchise Fee” ranging from \$24,600 to approximately \$34,100 consisting of the following:
  - A. A “Fixed Licensing Fee” of eight thousand dollars (\$8,000);
  - B. A “Territory Fee” ranging from three thousand dollars (\$3,000) to approximately twelve thousand five hundred dollars (\$12,500) based on the number of households in your Franchise Territory. The Territory Fee is calculated as \$3,000 for the first 250,000 households in the Franchise Territory and \$0.01 per household for each additional household in the Franchise Territory; and

- C. An "Initial Package Fee" of thirteen thousand dollars (\$13,600). This is the same as described above in connection with the First Payment Package.

You may pay the total Initial Franchise Fee in one lump sum upon signing the Franchise Agreement. Alternatively, you may pay one-half (1/2) of the Initial Franchise Fee upon signing the Franchise Agreement and the other one-half of the Initial Franchise Fee on the first day you or your designated representative commence Initial Training. Financing is not available for any portion of the Initial Franchise Fee under the Second Payment Package.

Under both payment packages, once you or your designated representative commence the initial training provided by CRDN (the "Initial Training"), the Initial Franchise Fee is fully earned by us and non-refundable.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 6.**  
**OTHER FEES**

Type of Fee (Note 1)	Amount	Due Date	Remarks
"Annual Fixed Fee"	<u>First Payment Package:</u> \$5,000 <u>Second Payment Package:</u> \$3,000	Due via electronic funds transfer ("EFT") (Note 2) on or before January 15 each year, beginning the first January after Franchisee commences operations.	The fee for your first year will be prorated based on how many months you had been in business.
"Royalty"	<u>First Payment Package:</u> 6% Royalty on Gross Sales received; <u>Second Payment Package:</u> 9% Royalty on Gross Sales received	The Royalty is due via EFT each Friday and assessable on Gross Sales you receive during the preceding week.	Royalty due date is when you actually receive the income. "Gross Sales," (see Article 2.5 of the Franchise Agreement) means all services billed and/or invoiced from operating the Franchised Business, including but not limited to, commissions paid/kept by lead sources, (general contractors, contents cleaning companies, third-party administrators, etc.) whether in cash, in services in kind, from barter and/or exchange, or otherwise, less all sales taxes or similar tax receipts that are chargeable to customers and refunds for non-restorable items. We reserve the right to collect all outstanding Royalty due to us 60 days after the billing date of any textile restoration job.



Type of Fee (Note 1)	Amount	Due Date	Remarks
Marketing and Advertising Fund (the "Fund")	One percent (1%) of Gross Sales	Due via EFT each Friday and assessable on Gross Sales you receive during the preceding week.	Payable each week with the Royalty. We reserve the right to collect all outstanding Fund monies due to us 120 days after the billing date of any restoration dry cleaning job.
"Minimum Royalty Fee"	Will vary	Due via EFT upon our notification to you	Due only if you do not achieve the required Minimum Monthly Gross Sales Requirement (defined below) for a period of two or more consecutive months.
Weekly License Fee	\$50 per week	Due via EFT each Friday	This is for the ongoing maintenance and use of our proprietary software (please see Article 2.10 and Exhibit C of the Franchise Agreement).
Per-Job Fee	\$7.50 per job plus \$17.50 for any job/service request received through the CRDN website or other electronic submission	Due via EFT each Friday	Such fees are payable per job and/or service type (textile restoration, inventory capture, and/or any optional service offered) and are due in connection with CRDN's monitoring and/or review of your services and/or jobs (please see Article 2.10 and Exhibit C of the Franchise Agreement). These fees are subject to change.
Weekly Cloud Services Fee	\$4 weekly per Cloud Services Account	Due via EFT each Friday	The Clouse Services Account allows you to access all CRDN cloud-based content including branded

Type of Fee (Note 1)	Amount	Due Date	Remarks
			email, our video library, and more. You are required to have a minimum of one Cloud Services Account per franchised territory, but we reserve the right to require you to have up to three Cloud Services Account (please see Article 2.10.6 and Exhibit C of the Franchise Agreement). This fee is subject to change.
Tablet Usage Fee	\$9.00 weekly per Tablet	Due via EFT each Friday	The Tablet Usage Fee is payable toward the software and related support surrounding the use of each Tablet (please see Article 2.10 and Exhibit C of the Franchise Agreement). This fee is subject to change.
Additional Tablets	\$300-\$400 per Tablet purchased from CRDN	Via EFT upon purchase from CRDN	One Tablet per Franchise Territory is required. If you are purchasing an initial franchise, one Tablet is provided as part of the Initial Package. Otherwise, you may purchase approved types of Tablets from other sources, so this fee is only assessable if we offer, and you purchase additional Tablets from us. See Article 2.10 and Exhibit C of the Franchise Agreement. This fee is subject to change.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Tablet Set-Up and Training Fee	\$200 per Franchise Territory/ Franchised Business	Via EFT upon use of first Tablet in Franchise Territory	If you are purchasing an initial franchise, this cost is included in the Initial Package. This is a one-time fee and not assessable upon renewal or purchase of an existing CRDN franchise, if previously paid.
Inventory Replacement Analysis Fee	\$1.25 per line item	Due via EFT each Friday, as incurred	Payable for third party inventory analysis and provision of replacement pricing. The total fee will vary based on number of items analyzed.
Inventory Transcription Service Fee	\$.50 per item transcribed	Due via EFT each Friday, as incurred	Payable for third party transcription of inventory only if inventory is not provided to third party in required format for replacement analysis.
Inventory Dictation Fee	\$50 for first hour (one hour minimum) then \$1 per minute thereafter	Due via EFT each Friday, as incurred	Due only if Franchisee uses a third party service to dictate an itemized job inventory live/in real time. The total fee will vary based on number of items itemized.
Shipping and Taxes	Varies	Due via EFT upon our notification to you	Due to CRDN or any applicable affiliate or third party vendor in the event items are shipped to you, including without limitation, any Tablet(s)). If you are purchasing an initial franchise, no shipping or taxes will be assessable on the initial Tablet provided

Type of Fee (Note 1)	Amount	Due Date	Remarks
			as part of your Initial Package.
Software Module Upgrade	Up to \$2,500	Due via EFT upon our notification to you	This covers the right to issue new modules, which may be separately licensed (please see Exhibit C of the Franchise Agreement).
Additional Training	\$200-700 per person or our then current fee	Before the start of the training session.	Initial Training (see Article 7.1 of the Franchise Agreement” and Item 11) for you and one other person is included with your payment of the Fixed Licensing Fee. This fee is payable only if you elect to send additional persons to Initial Training. This fee does not include travel, lodging, or additional personal expenses incurred while at training.
Additional Assistance	\$500 per day, per staff member, plus expenses	Due via EFT upon our notification to you	We may provide you with additional assistance when we deem necessary. You will be responsible for the payment of our staff fee plus all of their expenses to provide you with the additional assistance in the Franchise Territory, including travel, lodging, meals or additional personal expenses while traveling.

Type of Fee (Note 1)	Amount	Due Date	Remarks
CRDN Convention and Regional Meetings	\$600-\$1,000 per attendee, plus expenses	As incurred	<p>We may organize and you are required to attend each CRDN convention or CRDN regional meeting, as applicable, typically held annually. It is our intent to hold annual CRDN conventions, but we reserve the right to hold CRDN regional meetings in the event a CRDN convention is not held in a given year. You will be responsible for all travel, lodging, meals, and personal expenses while at the CRDN convention or CRDN regional meeting for all attendees from your Franchised Business. You will only be required to attend one CRDN convention or regional meeting per year, see Item 11. In connection with your initial franchise purchase, you will receive an one thousand dollar (\$1,000) allowance toward registration expenses of attending your first CRDN convention or CRDN regional meeting, as applicable.</p>

Type of Fee (Note 1)	Amount	Due Date	Remarks
Area, Regional, or State Sales Representative	Varies (\$20,000 was approximate per-franchise average spent by franchisees in 2012)	Due via EFT upon our notification to you.	Due only in the event that you join with other franchisees geographically located near you to employ an area, regional or state sales representative who will be responsible for promoting the Franchise System in their defined area (the "Area Representative"). Each Area Representative will be an employee of yours and you will pay your pro-rata share of the Area Representative expenses including our administration fees.
Successor Term Fee	20% of the then current Fixed Licensing Fee and Territory Fee	At the time you sign a Successor Agreement	This fee is calculated based upon the payment package you elected for your initial franchise agreement.
Transfer of Corporation Fee	Up to \$500	Due upon signing of transfer documents	Due if you modify the entity or ownership of the entity serving as your franchisee entity under Franchise Agreement.
Transfer Fee	\$10,000 (if transferred to a new prospect) or \$4,000 (if transferred to an existing CRDN franchisee).	Due upon signing of the transfer documentation	You must also pay CRDN any final/outstanding fees owed to us prior to the transfer and comply with all transfer provisions as set out in Article 12.3 of the Franchise Agreement. The transfer fee is due prior to any transfer of your Franchised

Type of Fee (Note 1)	Amount	Due Date	Remarks
			Business. There is no charge if the Transfer is to an entity controlled by you, your spouse or your child.
Transfer Assistance Fee	10% of sale price	Due upon signing of the transfer documentation	Due only if you elect CRDN's assistance with a transfer and/or you transfer to an existing CRDN franchisee.
Fees for Optional Electronic Restoration Services Program (Note 4)	Will vary, but current initial participation fees are as follows: \$22,500 for first territory; and \$9,500 for each additional territory.	As incurred	Due upon signing of the amendment to your Franchise Agreement or such other documentation as required by CRDN authorizing your performance of electronic restoration services. You will receive an electronic restoration tool cart and training for up to two persons as part of the participation fee. These fees and all terms and conditions related to electronic restoration services are subject to change.
Fees for Optional Art and Collectibles Restoration Services Program (Note 5)	Will vary, but current initial participation fees are as follows: \$12,500 for first territory; and \$2,500 for each additional territory.	As incurred	Due upon signing of the amendment to your Franchise Agreement or such other documentation as required by CRDN authorizing your performance of art and collectibles restoration services. You will receive training for up to two persons as part of the participation fee. These fees and all terms and conditions

			related to art restoration services are subject to change.
Fees for Optional Full-Service Contents Restoration Services Program ( <u>Note 6</u> )	Will vary, but anticipated initial participation fees are as follows: \$12,500 for first territory; and \$2,500 for each additional territory.	As incurred	Due upon signing of the amendment to your Franchise Agreement or such other documentation as required by CRDN authorizing your performance of full-service content restoration services. You will receive training for up to two persons as part of the participation fee. These fees and all terms and conditions related to full-service content restoration services are subject to change.
Continuing Education Course Assistance	\$250-\$500 per class	As incurred	Due only if you request our assistance in preparing, registering or otherwise assisting in administering any Continuing Education courses for your Franchised Business
Late Payment Fee	5% of Royalty or other amount due or \$50 per week, whichever amount is greater	Due via EFT on the Monday following the due date for each payment not made	Due for each Royalty payment or any other payment under the Franchise Agreement that is not paid when due.
Late Payment Interest	12% per annum or the maximum permitted by applicable law, whichever is greater	Due via EFT when payment is made	Charged from date any late payment was due until actually paid
Audit	Cost of inspection or audit estimated at \$2,500-	Due via EFT 15 days after billing	Due if you understate the Royalty obligation by 5% or more or do not promptly report in



	\$10,000, plus 100% of the understated Royalty and interest, at the rate of 12 and late fees		our proprietary software any revenue collected when payments are received
Costs and Attorneys Fees	Will vary under circumstances	As incurred	Due if you hire an attorney
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if you are held liable for claims from your Franchised Business' operation
Local Marketing Requirement	Minimum of \$.05 a Household in the awarded Franchise Territory - will vary per Household count of the Franchise Territory	Monthly	Includes all advertising expenses on a local level (i.e. Yellow Page ad). The cost of your full time marketing person may be counted toward the Local Marketing Requirement.
Administrative Fee	Up to \$500	As incurred	Only payable if you ask or we are required, due to your actions, to amend the Franchise Agreement or to process paperwork on your behalf.
Third Party Pricing Platform Conversion from Proprietary Software and Upload Fees	Varies per Conversion, but current upload fees are: \$39 or \$6 for Xactimate program and non-program uploads, respectively; and \$25 for any Symbility uploads	Due via EFT upon our notification to you.	This is a fee that CRDN will charge for uploading an invoice conversion from our proprietary software to the applicable third party pricing platform. We currently work with Xactimate and Symbility, but there may be others in the future. The pricing is subject to change. Non-program uploads (\$6) are required to impact local pricing.

Referral and/or Claim Handling – Call Center Fees	\$15 weekly; plus variable per-job fees as follows: \$3.50 CRDN Text Referral Fee; \$50 CRDN Contact Fee; \$.035 Per Second Call Fee; and a Minimum Usage Fee up to \$60.90.	Due via EFT upon our notification to you	These are the fees that CRDN charges or that CRDN is charged by the call center and/or other third-party referral sources that assign jobs/claims to you and that we charge back to you. You will owe the \$15 weekly fee for maintenance of the call center and your local telephone line per franchised business you operate. You will owe a CRDN Text Referral Fee of \$3.50 per job referred via text. In the event you do not properly accept a given job via text, you will owe the CRDN Contact Fee of \$50. You will also be charged a Per Second Call Fee, currently \$.035 per second, for each call the call center makes to you or CRDN and the fee will vary by the length of the call(s). Finally, you will owe a Minimum Usage Fee up to \$60.90 for any unused portion of the minimum monthly minutes you are required to use by the Call Center (currently, 29 minutes) at a rate of \$.035 per second. These fees are subject to change.
Regional/National	\$0.35 - \$2.00 per piece per mailing	Due via EFT every six to eight weeks, or	This is the fee for postcards and newsletters that are

Account Direct Mail Campaign		as the mailings are done	being mailed to insurance industry contacts in your state or region
Credentialing and Compliance Fees	\$275 annually plus \$35 per additional program credentialed	Due annually via EFT upon our notification to you	This fee is for third party assistance with maintenance of credentialing and compliance requirements such as background checks, insurance certificates, DBA and entity status documentation. The per-program fees are one-time, but that annual fee is recurring. This fee is subject to change.

**Notes:**

- Note 1 All fees, unless otherwise specified, are imposed and collected by and payable to CRDN and are uniformly imposed. All fees, unless otherwise specified, are non-refundable.
- Note 2 As part of your “Pre-Activation Requirements”, you must sign and deliver to us the Electronic Funds Transfer (EFT) Authorization Form, included as Exhibit D of this disclosure document, to authorize us to debit your checking account electronically for all fees due in connection with the Franchise Agreement.
- Note 3 In addition to the transfer fee, you may also incur fees from CRDN and/or third parties, as applicable, to advertise the Franchise Business for sale including by way of example only, broker fees, referral fees, and/or listing fees. In the event you elect our assistance in the sale of your Franchised Business, you must also sign the then-current form of a listing agreement and/or a letter of intent to sell which will set out the applicable fees and terms and conditions surrounding our sales efforts. It is our best estimate that broker, referral, and listing fees may be up to \$35,000 per business, unless otherwise agreed.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 7.**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of expenditure	Amount	Method of Payment	When Due	To Whom Payment is To Be Made
Fixed Licensing Fee ( <u>Note 1</u> )	\$8,000 - \$16,000	Lump Sum or monthly installments under your Note if financing is obtained	<u>First Payment Package:</u> Upon signing your Franchise agreement, or as scheduled in your Note if financing is obtained. <u>Second Payment Package:</u> Upon signing your Franchise agreement, or one-half upon signing and the remaining one-half upon commencement of Initial Training	CRDN
Territory Fee ( <u>Note 1</u> )	\$3,000-\$35,000	Lump Sum or monthly installments under promissory note if financing is obtained	<u>First Payment Package:</u> Upon signing your Franchise agreement, or as scheduled in your Note if financing is obtained <u>Second Payment Package:</u> Upon signing your Franchise agreement, or one-half upon signing and the remaining one-half upon commencement of Initial Training	CRDN
Initial Package Fee ( <u>Note 1</u> )	\$13,600	Lump Sum	<u>First Payment Package:</u> Upon signing your Franchise agreement or as scheduled in	CRDN

Type of expenditure	Amount	Method of Payment	When Due	To Whom Payment is To Be Made
			your Note if financing is obtained <u>Second Payment Package</u> : Upon signing your Franchise agreement, or one-half upon signing and the remaining one-half upon commencement of Initial Training.	
Initial Training Expenses ( <u>Note 2</u> )	\$1,000 - \$3,000	Lump Sum	As Incurred	Hotels/Restaurants/Transportation Vendors
Dry Cleaning Training ( <u>Note 3</u> )	\$0 - \$2,750	Lump Sum	As Incurred	Third Parties
Real Estate Purchase/Lease and Leasehold Improvements ( <u>Note 4</u> )	\$15,000-\$65,000	As Arranged	As Incurred	Landlord, Service Providers
Plant Machinery and Equipment ( <u>Note 5</u> )	\$0 - \$160,000	As Arranged	As Incurred	Vendors
Ozone Machine ( <u>Note 6</u> )	\$300-\$1,000	Lump Sum	As Incurred	Vendors
Storage Facility Rent and Deposit ( <u>Note 7</u> )	\$0-\$12,000	Lump Sum	As Incurred	Landlord
Storage Racking System ( <u>Note 8</u> )	\$2,000-\$20,000	Lump Sum	As Incurred	Third Parties
Accounting, Legal, and Other Professional Fees ( <u>Note 9</u> )	\$0-\$5,000	Lump Sum	As Incurred	Service Providers
Miscellaneous Opening Costs ( <u>Note 10</u> )	\$0 - \$5,500	As Arranged	Prior to Opening	Service Providers, Licensing Agencies
Signage, Exterior Only	\$500 - \$1,000	Lump Sum	As Incurred	Vendors

Type of expenditure	Amount	Method of Payment	When Due	To Whom Payment is To Be Made
Boxes, Solvents and Detergents (Note 11)	\$250-\$1,000	Lump Sum	As Incurred	Vendor
Vehicle (Note 12)	\$0-\$20,000	Lump Sum	As Incurred	Third Parties
Full time marketing person (Note 13)	\$10,000-\$20,000	Payroll	Per your standard payroll policy	Employee
Computer hardware (Note 14)	\$0-\$8,000	Lump Sum	As Incurred	Third Parties
Point of Sale System	\$0-\$10,000	Lump Sum	As Incurred	Third Parties
Insurance (Note 15)	\$0-\$15,000	As Arranged	As Incurred, typically annually	Third Parties
Additional Funds (Note 16)	\$10,000-\$100,000	Lump Sum	As Incurred	Third Parties
Totals	\$63,650-\$513,850			

Unless otherwise specifically provided in the above chart or the notes below, please note the following: the fees above represent expenses paid in connection with opening your Franchised Business and any additional expenses paid through the three-month period thereafter; all fees paid to us are non-refundable and fully earned when due; the above estimates are based on our experience in the industry and that of our affiliates; and because we typically franchise to existing restoration service providers, estimates with a low range of \$0 assume the applicable cost will not be incurred on account of such existing operations. You should review all estimated costs carefully with a financial advisor before making any decision to purchase a franchise.

**Notes:**

- Note 1 The price of the Fixed Licensing Fee and Territory Fee depend on which payment package you select (see Item 5 of the disclosure document). The Fixed Licensing Fee is \$16,000 under the first payment package and \$8,000 under the second payment package. Training for you and one other person is provided as part of the Fixed Licensing Fee, allocated as \$8,000 of the \$16,000 under the first payment package and \$4,000 of the \$8,000 under the second payment package. The price of the Franchise Territory is also variable as determined by the approximate number of households located in the Franchise Territory. Under the first payment package, the Territory Fee is calculated as \$16,000 for the first 250,000 households in the Franchise Territory and \$0.02 per household for each additional household in the Franchise Territory. Under the second payment package, the Territory Fee is calculated as \$3,000 for the first 250,000 households in the Franchise Territory and \$0.01 per household for each additional household in the Franchise Territory. See Item 10 for expenses we may finance. See Item 5 for limited conditions when the Fixed Licensing Fee, Territory Fee and Initial Package Fee are refundable.
- Note 2 Training for you and one other person is provided as part of the Fixed Licensing Fee. The training program is described in Item 11. Our estimate above is for food, outside of the meals provided during training, travel and lodging for two attendees.
- Note 3 This only applies in the event you have not previously attended industry dry cleaning training and/or in the event CRDN, in its discretion, requires you to do so. The only currently approved third party provider of this training is the Drycleaning and Laundry Institute. The training typically spans 15 days and is scheduled quarterly. This fee does not include travel, lodging or meal expenses. CRDN reserves the right to provide you with this training directly through one of its representatives and, in such case, you would have to pay CRDN and the training may be more or less than 15 days.
- Note 4 If you do not currently lease or own adequate space for a restoration processing plant, you must lease or purchase such space within ninety (90) days of signing your Franchise Agreement. The locations are light industrial and commercial areas. The typical space needed for a non-retail, restoration-only plant is approximately 2,500-5,000 square feet. Rent is estimated between \$10,000-\$50,000 per month depending on factors such as size, condition, and location of the plant. Additionally, you will need to make leasehold improvements to the facility which typically include minor projects such as painting, flooring, and electrical and plumbing needs. Leasehold improvements are estimated between \$5,000 and \$15,000 prior to opening depending on the same factors as rent.
- Note 5 If you do not currently have a restoration processing plant or otherwise do not have the necessary machinery or equipment to perform CRDN restoration services, you will need to purchase such machinery and equipment to perform CRDN restoration services. The range includes installation and any training you would need on operation of the machinery and equipment. This is our best estimate based on information provided by an equipment vendor and our experience with our affiliates. The cost of machinery and equipment will vary depending on factors such as the size of your facility, the condition of the machinery and equipment purchased and whether you have any existing machinery or equipment.

The range does not include an ozone machine (see Note 6) or any inspection or related costs.

- Note 6 An ozone machine is needed to accelerate process for deodorizing items. The size you select, and resultant price range, is a function of the number of households in your Franchise Territory and your business plan.
- Note 7 Depending upon the number of households in your Franchise Territory and the business plan you develop, you will need to purchase/lease storage space ranging from 1,000 to 10,000 square feet. This is where you will store items that have been restored until the claimant is ready to receive the items. Our estimate is for three months of rent expenses.
- Note 8 This amount varies depending upon the size of your storage facility.
- Note 9 This includes the cost of having professionals review your franchise agreement and other agreements as well as site selection and lease negotiation fees for franchisees who do not have existing retail or restoration businesses.
- Note 10 This includes business licenses, state dry cleaning permits, and Utility and security deposits. The cost of the deposits will vary based on factors such as size, condition, and location of the plant and it's our best estimate that such deposits would cost approximately one month's rent.
- Note 11 You will also have to purchase solvents, detergents, and other supplies to perform textile restoration services. The number of boxes you will need is a function of your business plan. These boxes are to be used in order to return bulk laundry, shoes and other items to the claimant.
- Note 12 If you already have a delivery vehicle with laundry racks, you may use it for the pickup and delivery of items provided you properly brand the vehicle.
- Note 13 You must dedicate a full-time representative to market the services of your Franchised Business. You cannot consider yourself this full-time representative without our prior written consent. The range is for a three month period and will vary based on location, wage rates, experience and other factors.
- Note 14 Please see Items 8 and 11 of this disclosure document and Article 11.1 of the Franchise Agreement.
- Note 15 This insurance includes all coverages required by CRDN and/or any Regional/National Program for the operation of your CRDN franchised businesses including by way of example only, general liability, workers compensation, cyber liability, and bailees coverage. A complete list of the current coverage requirements is provided in Item 8 of this disclosure document and. This range also includes any initial Credentialing and Compliance Fees.
- Note 16 This range of fees estimates your additional funds needed prior to beginning business and/or during the first three months of operation, including rent/mortgage costs, payroll,



utilities, and general office and business operation overhead. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. We relied on our management and ownerships' years of experience as managers and/or operators of Huntington and/or similar businesses to the Franchised Business in preparing these estimates. You pay such fees to third parties, when incurred.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 8.**  
**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

**Required Purchases of Goods and Services and Approved Sources and Suppliers**

We do not currently require you to buy supplies or other services from us or our affiliates. CRDN does not own or have any interest in any supplier of goods or services provided to CRDN franchisees. We do, however, require you to obtain a license through us for our proprietary software and applications. Additionally, we require that you purchase an Initial Package of items (see Exhibit B to the Franchise Agreement) from us in connection with the launch of your Franchised Business, though we do not produce or supply the items ourselves. CRDN regularly reviews and negotiates pricing for all items included in the Initial Package for the benefit of the franchisees.

While we do not require you to buy supplies or other services from us, you must purchase certain goods and/or services meeting certain specifications and/or from vendors or suppliers approved or designated in writing by CRDN. A list of all required goods and/or services as well as approved vendors and suppliers will be made available to Franchisee in the Operations Manual and/or on the CRDN franchisee website, you will have access to all contact information for all approved suppliers and vendors.

**Marketing Items**

You may contract with alternative suppliers for all trademarked items and/or items bearing the CRDN logo for the operation of the Franchised Business, other than those included in the Initial package. Provided, however, that franchisees must obtain our prior approval. Approval can be requested by contacting Andrew Kokoczka, CRDN's Marketing Manager, or any subsequent person fulfilling similar functions at CRDN's Home Office through the toll free phone number: 800-963-CRDN (2736). Suppliers must show their ability to accurately meet our standards and specifications for representation of the Marks in order to be approved. The specs and specifications for the reproduction of the Mark are available to franchisees through the Operations Manual and on the CRDN franchisee website and can be shared with suppliers prior to acceptance.

**Computer Equipment and Point of Sale System**

You may not use any hardware and/or software in the operation of the CRDN franchise without our prior approval, which approval will not be unreasonably withheld.

Also, you must purchase a point of sale or "POS" system that we approve and that meets our requirements, as may be modified from time to time in the Operations Manual, from such vendor as we require. You may also need to pay to install the POS and related software and hardware. Your POS must interface with our current proprietary software system, and you may need to purchase certain other software or hardware in connection with such interface, as we require from time to time. We will have independent access to and the right to use all data recorded or stored in your POS.

**Dedicated Phone Line and Call Center**

As part of your local marketing and the Pre-Activation Requirements (described in Article 5.1 of the Franchise Agreement), you must purchase and maintain a telephone number that is dedicated to your Franchise Business and separate and apart from your existing dry cleaning or other business telephone number. Additionally, you must provide CRDN with a cell phone number to which initial job referrals may be sent via text.

You must also utilize a call center/answering service approved of by CRDN to receive jobs/loss assignment notices (“Call Center”) (described in Article 2.7 of the Franchise Agreement) and you must abide by the then-current Call Center guidelines as set forth in the Operations Manual as modified from time to time. Such guidelines include requirements for providing us and/or the Call Center with certain phone numbers including a number to receive text messages, and such other information as requested from time to time; response timing and methods regarding job loss assignments; and the establishment and payment of such fees as are then currently assessable with respect to the Call Center (collectively, the “Job Referral Fees”).

At this time, there is only one Call Center approved of by CRDN as disclosed in the Operations Manual and you may not seek an alternative supplier of call center services. However, CRDN reserves the right to change the approved Call Center and/or include more than one Call Center based upon the criteria established by CRDN in its sole discretion. Further, the Call Center is currently a third party vendor; however, CRDN reserves the right to: perform some or all functions of the Call Center; add services to be performed by the Call Center; charge fees to you for all additional services whether performed by a third party, CRDN or any combination of persons and/or entities; and to modify the current fees charged in connection with the Call Center, as set forth in Item 6 of this disclosure document. CRDN provides the criteria directly to each Call Center prospect/candidate and such criteria, includes without limitation, their ability to accurately and efficiently meet our high-volume, 24-hour request/referral needs; they must ensure full-time dedicated staff are working on the account; they must have the software and electronic capabilities of recording all contacts for each and every request/referral and they must be capable of servicing all CRDN franchisees in the USA and Canada so that uniformity in request/referral assignment is maintained.

#### Insurance

As part of your Pre-Activation Requirements described in Article 5.1 of the Franchise Agreement, before commencing operations of the Franchised Business you must obtain and maintain in full force and effect throughout the term of this Agreement and at your sole expense, certain insurance coverages as described in Article 11.4 of the Franchise Agreement. Such requirements are subject to modification by CRDN from time to time in accordance with the Operations Manual and currently include the following:

(a) Commercial General Liability Insurance including, without limitation: \$2,000,000 general aggregate; \$2,000,000 in Products & Completed products aggregate; \$1,000,000 personal and advertising injury; and \$1,000,000 per occurrence limit; with a waiver of subrogation in our favor;

(b) Bailees Legal Liability and/or Bailees Property Coverage Insurance shall be maintained with limits of at least \$1,000,000 which must cover goods in your care, custody and control;

(c) Automobile Liability Insurance with policy limits of not less than \$1,000,000.00, combined single limit, for bodily injury and property damage for all owned or lease vehicles and for hired and non-owned motor vehicles;

(d) Workers’ Compensation/Employers’ Liability Insurance with limits of at least \$500,000 or as otherwise statutory required by Franchisee;

(e) Employee Dishonesty/Federated Bonding Insurance with minimum limits of \$50,000 per loss and such coverage shall also cover acts of stealing against third parties;

(f) Property Insurance on buildings and business personal property including personal property of others on a replacement cost, no coinsurance basis. The property coverage shall include business income and extra expense coverage for the full twelve months.

(g) Umbrella Liability Insurance with a limit of at least \$2,000,000 per occurrence and aggregate and such policy shall list the commercial general liability, automobile liability and workers' compensation and/or employers' liability policies as scheduled underlying policies to the extent available by law;

(h) Network Security and Privacy Liability (also known as Cyber Insurance) coverage with coverage limits of at least \$1,000,000 per occurrence and including protection against liability for (a) system attacks and ransomware, (b) denial or loss of service attacks, (c) spread of malicious software code, (d) unauthorized access and use of computer systems, (e) crisis management and customer notification expenses, (f) privacy regulatory defense and penalties, and (g) liability arising from the loss or disclosure of confidential data; and

(i) All Other Insurance required by each Franchisee's state, county, local, or other municipality.

Insurance compliance may be monitored by CRDN or such third party as CRDN designates and you must pay any initial or ongoing fees associated therewith including the Credentialing and Compliance Fees set out in Item 6 (see Article 11.3 of the Franchise Agreement).

We do not dictate or qualify any insurance companies you use but for their ability to provide you with the required coverages, their requirement to be licensed in the jurisdiction in which you are doing business, and their requirement to have an A.M. Best rating of "A" or better, unless otherwise reviewed and approved by us.

#### Alternate Suppliers and Modifications

There is no fee to secure approval of an alternative supplier. Upon receipt of request for approval, you can expect to be notified of the approval/denial within seven (7) business days. Acceptance may be revoked upon receipt by us of information or proof that the supplier was never/is not/may be unable to meet our standards and specifications for representation of the logo and Marks. Notification of revocation of acceptance will be made via email or phone from a member of our corporate office ("Home Office") staff.

We require adherence to our System Standards which may be modified, from time to time, and through such modifications, we reserve the right to modify the goods and services set forth above as well as require purchase of supplies and/or services from us or such other approved suppliers as we designate. You are notified of any System Standard modifications sixty (60) days prior to required compliance and all details will be set forth in the Operations Manual and available on the franchisee website. We will notify any suppliers of product and/or service specification changes via email within thirty (30) days of our determination of the need for such change and we will provide them with an additional thirty (30) days to comply or propose reasonable alternatives to the changes requested. Any acceptance or rejection will be made known within ten (10) days of receipt of submission.

#### Benefits and Negotiated Prices

We may negotiate special purchase arrangements with suppliers (including price terms) for the benefit of the Franchise System. These arrangements are subject to change and we have no obligation to ensure that the arrangement with any supplier will continue to be made available to you. Suppliers currently do not compensate Franchisor for purchases made by franchisees and typically, suppliers

simply provide the entire CRDN network a discount from market pricing. The discounts made available to CRDN by some suppliers generally range from 20% to 40% of the suggested retail or market price. Some promotional items are made available to CRDN at discounts lower than 20%. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

Aside from the information set out about in this section, neither we nor any of our affiliates have a relationship with, or receive rebates, revenue or any other material consideration from any of the approved suppliers referenced in this Item 8 including without limitation suppliers of marketing supplies or the currently approved Call Center. Provided, however, we retain the right to do so in the future. We may also sell or lease certain other supplies, products and services ourselves, and, if we do, we may derive revenue from those sales.

In the event that any cash rebates, mark ups, volume discounts, concessions, advertising allowances, or discount bonuses (collectively "Discounts"), whether by way of cash, kind or credit, are available to or received by us or our affiliates from any manufacturer or supplier designated by us, whether or not on account of purchases made (i) by us for our own account or for the account of Franchisee or franchisees generally, or (ii) by Franchisee directly for its own account, we and/or our affiliates will be entitled to retain the whole of the amount or any part of such Discounts. We and/or our affiliates have the right to realize a profit on any items that we or our affiliates supply to Franchisee.

#### Proportion of Required Purchases/Leases to All Purchases/Leases

For the year ending December 31, 2022, we had total revenue, as described in Exhibit A hereto, of \$12,607,664. Of that total revenue, \$1,924,977, which is approximately 15.3%, was derived from all required purchases and leases from CRDN franchisees. We estimate that the required purchases and leases account for 13% to 39% of the cost to establish a CRDN Franchise and approximately 10% of ongoing operating expenses. In the event you must attend dry cleaning training and you must establish a processing plant prior to commencing operations, we estimate that the required purchases and leases will account for approximately 13% to 24% of the cost to establish a CRDN Franchise.

#### Cooperatives

There currently are no purchasing or distribution cooperatives. However, as a result of quantity or other discounts available to CRDN, we generally are able to purchase products from some suppliers at a lower price than you are able to purchase the equipment and products directly from those suppliers.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 9.**  
**FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

Obligation	Section in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/ lease	Article 3.1, 3.3 and 3.4	Item 12
b. Pre-opening purchases/leases	Articles 2.1, 2.2 and 11	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Articles 2.7, 2.8, 2.9, 3.4, 3.5, 5.1 and 11	Items 7 and 11
d. Initial and ongoing training	Article 7	Items 6, 7 and 11
e. Opening	Articles 5.1 and 11	Item 11
f. Fees	Article 2 and Exhibits 2A and C	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	Articles 11 and 8	Items 8, 9, 13, and 14
h. Trademarks and proprietary information	Articles 1.3 and 8	Items 8, 13 and 14
i. Restrictions on products/services offered	Articles 5.4 and 11	Items 8 and 16
j. Warranty and customer service requirements	Articles 1.5 and 11	Item 11
k. Territorial development and sales quotas	Articles 2.6 and 3	Item 12
l. Ongoing product/service purchases	Articles 2 and 11	Item 8
m. Maintenance, appearance and remodeling requirements	Article 11	Item 8
n. Insurance	Article 11.3	Items 6, 7 and 8
o. Advertising	Article 2	Items 6 and 11
p. Indemnification	Article 6.3	None
q. Owner's participation/ management/ staffing	Articles 2 and 7	Items 11 and 15
r. Records and reports	Article 5.7	Item 6
s. Inspections and audits	Articles 5.8 and 5.9	Items 6
t. Transfer	Article 12	Items 6 and 17
u. Renewal	Article 4.2	Item 6 and 17
v. Post-termination obligations	Article 14	Item 17
w. Non-competition covenants	Articles 10 and 14.2	Item 17
x. Dispute resolution	Article 15	Item 17
y. Software License Agreement	Article 2.10 and Exhibit C	Items 8 and 11
z. National/Regional Account Participation Program Agreement	Article 1.5	Item 12

**ITEM 10.**  
**FINANCING**

ITEM 10: Summary of Financing Offered		
Item Financed	Initial Franchise Fees (Territory Fee, Initial Package & Fixed Licensing Fee)	Operational expenses
Source of Financing	CRDN (Note 1)	CRDN Investments (Note 2)
Down Payment	1/3 of total of Initial Franchise Fee which includes the Territory Fee, Initial Package Fee, Fixed Licensing Fee	N/A
Amount Financed	Total Initial Franchise Fee less 1/3 Down Payment	Increments of \$25,000 up to 50% of outstanding CRDN accounts receivable
Term	12 months/1 year	6 months
Interest Rate	10% annual interest rate. No additional finance charges.	12% annual interest rate. No additional finance charges.
Monthly Payment	Varies	Varies
Prepay Penalty	None	None
Security Required	Security interest in: personal property, inventory, equipment, appliances, signage, furnishings, and fixtures used in carrying out of the Franchised Business; and all accounts, drafts, acceptances, and other forms of receivables, and all rights of Franchisee earned under contracts to render services. Personal Guaranty of Franchise owner and all owners of the Franchisee Entity	Security interest in: personal property, inventory, equipment, appliances, signage, furnishings, and fixtures used in carrying out of the Franchised Business; and all accounts, drafts, acceptances, and other forms of receivables, and all rights of Franchisee earned under contracts to render services. Personal Guaranty of Franchise owner and all owners of the Franchisee Entity
Liability Upon Default	Immediate payment due of balance and fulfillment of all other obligations under the Note, Franchise Agreement or any other agreement between you and CRDN; payment of collection costs; and termination of Franchise Agreement and/or any	Immediate payment due of balance and fulfillment of all other obligations under the A/R Note, Franchise Agreement or any other agreement between you and CRDN; payment of collection costs; and termination of Franchise

	other agreement between you and CRDN	Agreement and/or any other agreement between you and CRDN
Loss of Legal Right on Default	Waiver of: notice and acceptance; notice of demand for payment; protest and notice of default; guarantors' right to require action be first brought against franchisee; rights to payment and claims for reimbursement or subrogation; all other notices and equitable defenses	Waiver of: notice and acceptance; notice of demand for payment; protest and notice of default; guarantors' right to require action be first brought against franchisee; rights to payment and claims for reimbursement or subrogation; all other notices and equitable defenses

**Notes:**

(1) Initial Franchise Fees (Territory Fee, Initial Package Fee, Fixed Licensing Fee)

As described in Items 5 and 7, if you would like to finance two-thirds (2/3) of the Initial Franchise Fees, including the Territory Fee, Initial Package and Fixed Licensing Fee and you meet our credit standards CRDN will finance such fees over a one year period at an interest rate of 10% APR using the standard form Note, substantially in the form attached 2A to the Franchise Agreement (which is Exhibit B of this disclosure document). As security for performance of the terms of the Note, you must give: (1) your personal guarantee and that of all shareholders or other owners of the franchisee entity; (2) security interest in personal property, inventory, equipment, appliances, signage, furnishings, and fixtures used in carrying out of the Franchised Business; and (3) security interest in all accounts, drafts, acceptances, and other forms of receivables, and all rights of Franchisee earned under contracts to render services. You may prepay the Note without penalty at any time during its term. If you do not make a payment on time, we can: demand immediate payment of the full outstanding balance and fulfillment of all other obligations under the note, Franchise Agreement or any other agreement between you and CRDN; obtain payment of collection costs including reasonable attorney fees; deem you in default under and terminate the Note, the Franchise Agreement and any other agreement you may have entered into with CRDN; and pursue any and all rights and remedies available under the Note, Franchise Agreement or any other agreement between you and CRDN. Additionally, upon default, you shall be deemed to have surrendered any and all rights to the Franchised Business and the Franchised Territory (as both terms are defined in the Franchise Agreement) and we shall be authorized to assign and award the Franchised Territory to any other franchise of our choosing. You waive your rights to notice of a collection action and to assert any defenses to collection against CRDN.

(2) CRDN Accounts Receivable Financing Program

We offer, to those CRDN members in business more than six (6) months and who otherwise qualify, a "CRDN Accounts Receivable Financing Program." This is a program to provide short-term financial assistance to owners. Eligibility criteria based on borrower's compliance with the Franchise System and CRDN sales levels. Under the CRDN Accounts Receivable Financing Program, CRDN, through its affiliate CRDN Investments, will finance increments of \$25,000 up to 50% of borrower's outstanding CRDN accounts receivable. CRDN will finance such amounts over a 6 month period at an interest rate of 12% APR using the standard form promissory note (the "A/R Note") substantially in the form attached Exhibit F to this disclosure document. As security for performance of the terms of the A/R Note, you must give: (1) your personal guarantee and that of all shareholders or other owners of the franchisee entity; (2) security interest in personal property, inventory, equipment, appliances, signage, furnishings, and fixtures used in carrying out of the Franchised Business; and (3) security interest in all accounts, drafts,



acceptances, and other forms of receivables, and all rights of Franchisee earned under contracts to render services. You may prepay the A/R Note without penalty at any time during its term. If you do not make a payment on time, we can: demand immediate payment of the full outstanding balance and fulfillment of all other obligations under the A/R Note, Franchise Agreement or any other agreement between you and CRDN (or CRDN Investments, as applicable); obtain payment of collection costs including reasonable attorney fees; deem you in default under and terminate the A/R Note, the Franchise Agreement and any other agreement you may have entered into with CRDN (or CRDN Investments, as applicable); and pursue any and all rights and remedies available under the A/R Note, Franchise Agreement or any other agreement between you and CRDN (or CRDN Investments, as applicable). Additionally, upon default, you shall be deemed to have surrendered any and all rights to the Franchised Business and the Franchised Territory (as both terms are defined in the Franchise Agreement) and we shall be authorized to assign and award the Franchised Territory to any other franchise of our choosing. You waive your rights to notice of a collection action and to assert any defenses to collection against CRDN. We do not offer financing that requires you to confess judgment, or waive a defense. We will not guarantee any notes, leases, obligations or your receivables. We will not sell, assign or discount to a third-party any part of the financing that you receive from us.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

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

**Except as listed below, CRDN is not required to provide you with any assistance.**

**Pre-Opening Assistance.**

Before your Franchised Business is activated, we will:

1. Designate the Franchise Territory for the Franchise (Exhibit A of the Franchise Agreement);
2. Provide you the Initial Package items or access to such items, as applicable (Item 5 above and Article 2.2 and Exhibit B of the Franchise Agreement);
3. Provide the Initial Training program to you and one other representative (Article 7 of the Franchise Agreement and described below);
4. Provide a list of typical equipment and machinery needed as well as one or more suggested suppliers, for franchisees needing to establish a processing plant; and
5. Provide you with a copy of the Operations Manual, in either paper or digital form (Articles 1.2 and 8 of the Franchise Agreement).

**Location Selection.**

Your dry cleaning plant, warehouse, office and/or any other facility related to the Franchised Business must be located inside your Franchise Territory unless we agree otherwise in writing (Item 12 of this disclosure document and Article 3.3 of the Franchise Agreement). Any such approval shall not, under any circumstances, entitle you to any franchise rights outside of the Franchise Territory. We do not provide any physical site selection assistance and most franchisees have an existing drycleaning businesses from which they operate their CRDN franchised business. Franchisor does not typically own any premises which are leased to you.

If you need to establish a processing plant for the operation of your CRDN franchised business, we will need to approve your location, but we do not find it for you. In determining whether or not to approve a location, we will consider such factors as size and location. You must secure processing plant that we approve within 90 days of signing your Franchise Agreement as part of the Pre-Activation Requirements which must be completed prior to commencing operation. Failure to do so may result in termination of your franchise agreement, however, we may extend the deadline to commence operations while you are securing a processing plant. Upon receipt of the necessary information related to a proposed processing plant, we will review and accept or reject the plant within 30 days.

**Continuing Assistance.**

During the operation of your Franchised Business, we will:

1. Conduct CRDN Conventions or CRDN Regional Meetings (Article 7.4 of the Franchise Agreement); and
2. Administer the Fund (defined below)(Article 2.7 of the Franchise Agreement).

**Advertising Assistance.**

**Generally.**

You are required to participate in Franchise System-wide mailings which we may perform from time to time. The cost will vary depending on the number of local customers you have in your database (see

Article 1.5 of the Franchise Agreement). You must also conduct, at your expense, marketing, advertising, and promotional programs at the local level. You promise to spend on these programs at least \$0.05 for each household located in your Franchise Territory each calendar year. Provided, however, that we will allow the compensation paid to your full-time sales person to count toward such required spending (see Article 2.7 of the Franchise Agreement).

You may develop advertising materials for your own use, at your own cost; however, you must receive our written approval of all advertising and marketing materials prior to their use. All advertising and marketing materials must meet our then current specifications as published in our confidential Operations Manual. We may offer and sell advertising, marketing, and promotional materials at any time. You have no obligation to purchase any such materials or forms from us (see Article 2.7).

We do not require you to join any advertising cooperatives.

There is no advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement does not give us the power to form, change or dissolve any advertising council. There is no obligation for us to maintain any advertising program or spend any amount on advertising in your Franchise Territory. We currently reserve the right to advertise using print, radio and television, with local, regional and national coverage. We currently employ both an in-house advertising staff and local, regional and national advertising agencies.

We are not obligated to spend any amount on advertising in each franchisee's territory or otherwise.

#### Marketing and Promotion Fund.

We have established a marketing and promotion fund (the "Fund") for marketing, advertising, promotion, cross-promotion, and public relations programs and materials. At this time, the Fund is active, and you must contribute 1% of your Gross Sales. Our affiliate-owned franchise owned and operated by our affiliate, Huntington, does not contribute to the Fund. Monies not expended during the year they are collected will remain in the Fund for future expenditure (see Item 6 of this disclosure document and Article 2.7 of the Franchise Agreement).

During the fiscal year concluding December 31, 2022, monies contributed to the Fund totaled \$1,317,607. Additionally, CRDN had rolled \$22,369 over to the Fund from 2021. In the fiscal year 2022, \$1,151,990 of the Fund was expended as follows: Promotion/sales support: 79.49%; Branding: 2.65%; Marketing: 17.83%; and Advertising: 0.03%. A total of \$187,986 of the 2022 Fund contributions were rolled over into the Fund for 2023 and we intend to spend all Fund contributions in the fiscal year 2023.

The Fund contributions paid by Franchisee and all Fund fees shall be expended by CRDN, at its sole discretion, for advertising and sales promotion on a national, regional, and/or multi-regional basis including by way of example only: preparing and producing video, audio, digital, and written materials; for such creative, production and administrative expenses incurred in connection with any advertising or promotional materials of any type developed by CRDN, including by way of example only, market research, compensation of CRDN's marketing and sales executives and staff, hiring outside advertising and public relations agencies to provide assistance and support for public relations, market research, piloting, consultations for work performed to test initiatives; any other advertising, promotion, and marketing activities, including by way of example only, any CRDN Convention or CRDN Regional Meeting; and such other research expenditures as CRDN may deem reasonable and appropriate, in its sole discretion.

We will administer these programs for a fee not to exceed 10% of the Fund revenues. Our expenditures of the fund will be at our sole discretion, and we are not obligated to spend Fund contributions in any particular market, in franchisee's territory, nor in a way that equally benefits any individual franchisee, or is in proportion to their payments. We are permitted to aggregate funds or disaggregate funds to create one or more funds for one or more systems, wherever administered or located. Any materials developed by the Fund will be made available to you through our fulfillment supplier for the published fees.

The Fund will not be our asset, but will be accounted for separately from our other funds, and will be held for the benefit of the Franchise System. Moneys from the Fund will not be expended on advertising that is principally a solicitation for the sale of new franchises. We may furnish to you upon request, an annual statement of moneys collected and costs incurred by the Fund, but we do not guarantee such statement will be in any particular format or contain any specific data. We reserve the right to have the Fund incorporated or operated through a separate entity anytime we deem appropriate, and the successor entity will have all of the rights and duties specified in this Item.

The Fund is audited as a component of our annual audit but not denoted separately on the material attached hereto as Exhibit A.

#### Computer Systems.

As described in Article 11 of the Franchise Agreement, you must purchase or lease certain computer hardware and software, and equipment that meet our specifications. The list of such items will be included in the Operations Manual.

As stated in Item 7 above, we estimate the cost of the computer system, including all necessary hardware, to range from \$0.00 to \$8,000. You must also use a computerized accounting system that conforms to the requirements and formats that we prescribe (Article 5.7 of the Franchise Agreement). It is our best estimate that this will cost you up to \$400 and it is included in the range estimated for the computer system referenced above and in Item 7.

You also must use a point of sale software system that will interface with the Franchise Management System (see Item 8 of this disclosure document for details on the point of sale System). The cost of the POS is listed in Item 7, and we estimate this cost to be \$0-10,000.

There is no contractual limit on our ability to require you to upgrade the computer system and/or the point of sale software, add components to the computer system and replace components of the computer system and/or the point of sale software. We cannot estimate the cost of maintaining, updating or upgrading your computer system and/or the point of sale software or any related components or support contracts because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time. There is no contractual limitation on the frequency or cost of this obligation to you. We have no obligation to provide any ongoing maintenance, repair, upgrades or updates except as stated above in connection with the Software License Agreement. We will be able to independently access the Franchised Business's information without contractual limitation.

Manuals.

The Table of Contents for our Operations Manual is located below and provided in Exhibit H of this disclosure document. The Table of Contents provides the page numbers allocated to each subject and there is currently a total of 965 pages in the Operations Manual.

**CRDN OPERATIONS MANUAL TABLE OF CONTENTS**

<b>SECTION</b>	<b>PAGE</b>
<b>1. The Textile Restoration Industry</b>	
1.1 What is "Textile Restoration"?	5
1.2 Who are CRDN's Customers?	5
1.3 What Success has Taught Us	6
1.4 What We Hope to Accomplish	7
1.5 Recent Trends in the Industry	7
<b>2. CRDN System</b>	
2.1 General Overview of the Job Life Cycle	9
2.2 Overview	35
2.3 Machines	36
2.4 Distillation	36
2.5 Detergents	36
2.6 No Filter Process	37
2.7 Maintenance of Equipment	37
<b>3. Textile Restoration Programs</b>	
3.1 Overview	51
<b>4. CRDN Wet Textile Restoration</b>	
4.1 Laundry	55
<b>5. Products</b>	
5.1 Sanitone	59
5.2 Fabritec International	59
<b>6. General Administration and Office Operations*</b>	
6.1 Record Keeping	61
6.2 Reports and Forms	61
6.3 Pricing Theory	61
6.4 CRDN Billing and Collections Procedures	62
<b>7. Fees</b>	
7.1 Job Fees	66
7.2 Program Fees	68
7.3 IT Related Fees	69
7.4 Training Related Fees	70
7.5 Convention and Regional Meetings	70
7.6 Miscellaneous/Administrative	71
7.7 Optional Services	73
7.8 ICS Fees	74

<b>8.</b>	<b>CRDN Glossary</b>	75
<b>9.</b>	<b>Optional Services</b>	
9.1	Electronics Operations Manual (Optional Service)	119 Pages
9.2	Art Operations Manual (Optional Service)	320 Pages
9.3	Commercial Operations Manual (Optional Service)	124 Pages
9.4	Full-Service Contents Operations Manual (Optional Service)	282 Pages
<b>10.</b>	<b>Appendix</b>	
10.1	Job File Folder	1 Page
10.2	Rush Checklist	1 Page
10.3	Scope Sheet	1 Page
10.4	Call Sheet	1 Page
10.5	Work Authorization Form	1 Page
10.6	Room by Room Inventory Form	1 Page
10.7	Leather and Fur Control Sheet	1 Page
10.8	CSR Time Sheet	1 Page
10.9	Photographing the Loss Site	1 Page
10.10	Window Treatments	1 Page
10.11	Van Checklist	1 Page
10.12	Ozone Room Diagram	1 Page
10.13	ICS Manual	61 Pages
<b>Total Pages</b>		<b>993</b>

Length of Time to Open the Franchised Business.

The typical length of time between the signing of the Franchise and the commencement of operations of the Franchised Business, is 60-135 days. Factors affecting this length of time include whether you need to attend dry cleaning training (see below) and/or establish a processing plant, as well as normal business startup considerations and delays in completion of all Pre-Activation Requirements including, by way of example only, scheduling and completion of Initial Training.

Training.

You are required to attend the next Initial Training session offered following the date you sign the Franchise Agreement, and such sessions are typically offered every quarter.

The Initial Training sessions are often conducted at our home office in Berkley, Michigan and at our affiliate Huntington's facilities in Huntington Woods and Oak Park, Michigan, but we may schedule your training at another site that we designate and some or all training may take place online/virtually. We reserve the right to modify the training schedule and length/amount of training and we may coordinate Initial Training with training for optional services.

Listed below is the typical Initial Training schedule as of the date of this disclosure document:

## TRAINING PROGRAM

<b>INITIAL TRAINING SCHEDULE</b>			
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Understanding the Insurance Industry	4		Our home office in Berkley, MI
Branding	1.5		Our home office in Berkley, MI
Proprietary Software Demonstration and Training	4	3.5	Our home office in Berkley, MI
Program Management	2		Our home office in Berkley, MI
Restoration Workflow		2	Huntington's facilities in Huntington Woods and Oak Park, MI
CSR/First Responding	.5	1.5	Huntington's facilities in Oak Park, MI
Billing and Collections	2		Huntington's facilities in Oak Park, MI
CRDN Sales Process and Client Management	7.5		Our home office in Berkley, MI
The State of the CRDN Network	1		Our home office in Berkley, MI
Job Site Scenarios	1.5		Our home office in Berkley, MI
Next Steps	1.5		Our home office in Berkley, MI
Wrap Up –Conclusion and Discussion	1		Our home office in Berkley, MI
<b>Totals</b>	<b>26.5</b>	<b>7</b>	

You will receive access to the Operations Manual, training presentations, and various proprietary and confidential workbooks upon commencement of Initial Training. Marc Liljegren, CRDN's Director of Training, who has over fourteen years of training experience and over twelve years of experience in restoration, currently oversees our Initial Training program and may also provide training and related assistance. You may also receive training from other members of CRDN's and Huntington's staff all of whom have at least one year of experience (for example, system management, operations, marketing, technology and system support).

If you do not have an existing retail dry cleaning or textile restoration business or otherwise have adequate dry cleaning and/or textile restoration experience, as determined by CRDN in its sole discretion,

you will be required to attend dry cleaning training for approximately fifteen (15) days performed by the then-currently approved training provider or CRDN, at CRDN's election. Currently, the only approved third party dry cleaning training provider is the Drycleaning and Laundry Institute. If required, you will need to attend such training as part of your Pre-Activation Requirements.

In addition to Initial Training, you have ongoing training and meeting obligations, as set forth in Article 7.4 of the Franchise Agreement. Namely, you must attend: (a) as many web-based or other remote location attendance follow-up sessions subsequent to Initial Training as Franchisor deems necessary and using the format and content as Franchisor, in its sole discretion, requires and for a time period, not to exceed twenty four (24) months from the date of completion of Initial Training ("Follow-up Training"); (b) a refresher training course every two years ("Refresher Training"); and (c) either the CRDN convention ("CRDN Convention") or the geographically applicable CRDN regional meeting ("CRDN Regional Meeting"), whichever is applicable, each year.

We reserve the right to require your attendance at any other Franchise System or industry related training courses or conferences, at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that you incur while attending any such sessions. In no event will you be required to attend more than one such session and one CRDN Convention or CRDN Regional Meeting, whichever is applicable, in one calendar year. It is the intent of CRDN to hold annual CRDN Conventions, but CRDN reserves the right to hold CRDN Regional Meetings in the event a CRDN Convention is not held each year.

Renewing franchisees are not required to complete the Initial Training described above.

If you have purchased the Franchised Business as a resale, unless you currently operate another Franchised Business and have already completed the Franchisor's Initial Training, you must complete the Initial Training as described above.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK



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

### **Franchise Territory.**

The Franchise Territory is described in Article 3 of the Franchise Agreement and is for a specific geographic area identified in Exhibit A of the Franchise Agreement using political boundaries, such as counties, geocodes, cities, zip code boundaries or a combination thereof. Except as described below, CRDN may not modify the Franchise Territory without the written consent of Franchisee.

In the event these political or zip code boundaries are modified by applicable authority, CRDN shall re-describe the Franchise Territory using such modified boundaries and maintaining as closely as possible the original geographic size and shape of the Franchise Territory by giving due consideration to any adjoining franchise territories. Additionally, in such event, to the extent such modifications result in a modification to the number of your awarded Targeted Households, your Targeted Households shall automatically, and without further consideration or documentation, be deemed to be amended to equal the modified total Targeted Households.

The number of households in a Franchise Territory will typically range from 350,000 to 1,000,000 households (Article 2 of the Franchise Agreement) and the minimum territory awarded would contain approximately 250,000 households. CRDN reserves the right to update your household count in accordance with modifications to information received and relied upon by authoritative sources, including, but not limited to, the United States Census Bureau.

Except as otherwise set forth in Articles 1.5, 1.6 and 3 of the Franchise Agreement, as described below, neither we nor any affiliate of ours will operate a Franchised Business or perform any Services within the Franchise Territory. Provided, however, that (a) we or any affiliate of ours may provide services to the insurance industry or to general contractors in the Franchise Territory provided that such services may not include textile restoration services, and (b) if you are not compliant with any and all terms of the Franchise Agreement, we, any affiliate of ours, or any such third party as we have authorized, may provide Services within the Franchise Territory.

We will not allow you to relocate your Franchise Territory. However, we may award you an additional franchise or additional territory or allow you to sell back portions of your territory, but any decisions to allow these changes will be in our sole discretion and judgment as to the best interests of the Franchise System. We will not award any right of first refusal on additional franchises or territory. In the event of an additional franchise purchase you would have to meet all then-current requirements of any new franchisee, be compliant under the terms of your existing Franchise Agreement(s), sign a cross-default amendment for all franchise agreements, and execute the then-current version of our Franchise Agreement (measured at the time of the additional purchase) for all CRDN Franchised Businesses.

### **Solicitation and Servicing in the Franchise Territory.**

#### **Generally**

Other CRDN franchisees can establish facilities for operating their CRDN franchise within the Franchise Territory. This right is limited to the location of the facilities and any such CRDN franchisee will have its own unique territory in which it will have the sole right to market customers, and it too will be subject to the same and/or similar marketing and servicing requirements and restrictions as the Franchisee.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

You may market, including all forms of solicitation, your Franchised Business and insurance textile restoration services and perform insurance textile restoration services, including on-site and in-plant activities, for insurance adjusters, general contractors or re-construction services, contents cleaning companies, third-party administrators and other customers geographically located inside your Franchise Territory.

You may not market outside of your Franchise Territory even if such marketing is done in an area which has not been awarded to another CRDN franchisee. Such prohibition includes marketing to customers outside of your Franchise Territory that service any or all portions inside your Franchise Territory without the prior written consent of the CRDN franchisee who owns the implicated area or CRDN, if such area has not been awarded to another CRDN franchisee. Such prohibition also includes any marketing/solicitation done via the internet, catalog sales, telemarketing or other direct marketing. Claims that result from any unauthorized marketing efforts outside your Franchise Territory must be serviced by the CRDN franchisee who owns the Franchise Territory where the claim occurred. You may not market or build any regional or national account relationship without CRDN's prior written consent.

You may service customers located inside and outside of your Franchise Territory. If you receive any referrals for jobs outside of your Franchise Territory and such Customers are located in a territory which has not been awarded to another CRDN franchisee, then you may service those customers as part of the Franchised Business; provided, however, that in the event the implicated territory is later awarded to another CRDN franchisee, you must introduce such Customers to the new CRDN franchise owner so that the Customers may utilize the new owner if they so choose. That said, so long as Franchisee is not soliciting and/or marketing to Customers outside of the Franchise, if Franchisee receives referrals for jobs/claims from the Customers in the territory of that new CRDN franchise owner, Franchisee may service such jobs/claims. Your Franchise Territory may contain customers that are currently being serviced by other CRDN franchisees.

#### Regional/National Account Programs.

We have implemented regional/national account ("Regional/National Account") programs (each a "Program" and collectively "Programs") with large insurance companies, third-party administrators, and other similar organizations (each a "Program Partner" and collectively, "Program Partners") in areas encompassing more than one Franchise Territory and/or Franchised Business, including any portion(s) of yours. We reserve the right to market and build relationships with Regional/National Account contacts and Program Partners whose offices may be located in your Franchise Territory. We may, by way of example, perform Regional/National Account marketing within the Franchise Territory, the office of any Regional/National Account contact or Program Partner may be located in the Franchise Territory, and we may include any franchisee or franchisee representative that we elect in Regional/National Account marketing efforts in the Franchise Territory. You may be required to participate in system-wide solicitations, including without limitation mailings, advertisements, promotions, events, and any other method of communication to target Programs. We have the right to establish, to the maximum extent permitted by law, the price charged by you for services provided to any Program Partner in connection with any Program.

You may be required by us or any Program Partner to apply and/or register to participate in the Programs. Also, CRDN and/or any Program Partner may establish initial and ongoing credentialing and eligibility requirements for participation in any Program, which such requirements may change from time, and some

or all of which may be monitored through a third party credentialing and compliance partner. Additionally, Certain Program Partners may require that you enter into agreements with them directly.

In order to maintain eligibility in the Programs, you must participate in all Programs, act in compliance with all policies, procedures and terms of any Program, and act in compliance with the terms of the Franchise Agreement, the Operations Manual, any other agreement you have with Franchisor, any agreement you have with any Program Partner, and any agreement entered into between any Program Partner and Franchisor to the extent such terms are made known to you.

Your acceptance into any Program is contingent upon acceptance by the applicable program partner and we have no authority require that any Program Partner accepts you into their Program. We cannot guarantee that you will be granted acceptance into any Program, and even upon acceptance, there is no guarantee that you will be awarded assignments for the performance of services in any Program, or that you will make a profit or attain any minimum level of sales or revenue through any Program.

Additionally, each Program Partner has the right to refer some or all work to other CRDN franchisees in the event such Program Partner prefers not to work with you based on that Program Partner's preference, your performance and/or your interaction with such Program Partner.

You may receive referrals by us for jobs/claim assignments in the Franchise Territory arising out of any Program, provided that: (i) you have met all program application requirements; (ii) you maintain program compliance; (iii) you have been granted Program Partner acceptance; (iv) you have met all Program credentialing requirements; (v) CRDN or any applicable Program Partner has not issued you a Program suspension (whether temporary, permanent, partial or full) or Program termination; and (vi) the applicable Program Partner has not exercised any preference to not refer you work (each a "Program Condition").

In the event that each Program Condition is not met and maintained by Franchisee, CRDN and/or any applicable Program Partner may refer any jobs associated with any applicable Program or any part thereof to another CRDN franchisee of CRDN's or the applicable Program Partner's choosing even if any such referred job is located within your Franchise Territory, suspend or terminate Franchisee from participation in some or all of the applicable Program, and assess a fine or a penalty.

In connection with any Program, CRDN reserves the right to establish the price you charge for services, to the extent permitted by law, and you must adhere to any such established pricing. This extends to the use of any third party pricing platform required and/or suggested by any Programs. You may need to take action to obtain and/or maintain software or other related licenses to properly use such third party pricing platforms and you will be subject to fees related to third party pricing platforms as described in Item 6 of this disclosure document.

#### Rights Reserved

We reserve the right to sell CRDN identified products through alternative channels of distribution. We also retain the right to offer and sell services and products within the Franchise Territory that do not comprise a part of the Franchise System and, in connection with this right, to exploit our trademarks, name, reputation and know-how and the Franchise System. This specifically includes selling, either ourselves or through our affiliates, any other franchised business of any other franchise network owned or operated by or on behalf of any of our affiliates (our affiliates are described in Item 1 of this Disclosure Document). Such actions may be taken using alternative channels of distribution, including the television, internet, etc.

We reserve the right to award a franchise to any other party who has a dry cleaning plant, warehouse, or any other type of facility through which their Franchised Business is operated, inside your Franchise Territory. This other franchise, however, will have their own unique Franchise Territory, which shall not include territory that has been awarded to you, in which they will be subject to the same or similar marketing and solicitation restrictions and obligations as those you are subject to as described above. We are not required to pay you if we exercise any of the rights specified above inside your Franchise Territory.

We also reserve the right to:

- A. establish and allow other Franchisees to establish Franchised Business-related facilities within the Franchise Territory, but subject to similar restrictions for marketing to and servicing customers that you are subject to under the terms of the Franchise Agreement;
- B. perform and allow others to perform, and/or establish and allow others to establish Franchised Businesses, or franchises offered by the Affiliate Franchise Network (as defined below), within the Franchise Territory, for the provision of, any service offered in connection with any franchises or Franchised Businesses owned or operated by us or by or on behalf of any affiliate of ours (each an "Affiliate Franchised Network"), that does not include the provision of textile restoration services as part of the System;
- C. perform Regional/National Account marketing in the Franchise Territory and include any Franchisee or representative that we elect in such Regional/National Account marketing;
- D. acquire businesses inside and outside of the Franchise Territory providing services similar to those provided for under the System and to be acquired by such business; and
- E. offer additional services to Franchisees to perform under the Marks; provided, however, you may be required to pay certain up-front and ongoing fees, meet and maintain certain qualifications, and enter into an amendment to the Franchise Agreement and/or execute a separate contract, prior to being approved and authorized to provide any such additional services

Except as otherwise described above, the Franchisor reserves all rights with respect to the marketing of goods or services the same kind as are sold or distributed by the Franchised Business, whether under the same or different trademarks, trade names, logos or advertising, or other commercial symbols.

Neither Franchisor nor any affiliates, operate, franchise, or have plans to operate or franchise a business under a different trademark through which goods or services similar to those the franchisee will offer will be sold.

#### Minimum Sales Requirements.

In accordance with Article 2.6 of the Franchise Agreement, following your first full year of operation, you must maintain the following minimum levels of monthly Gross Sales ("Minimum Monthly Gross Sales Requirement"):

<b>Minimum Monthly Gross Sales Requirement</b> (Number of Households x Gross Sales \$ Factor = Minimum Monthly Gross Sales Requirement) (Example: 500,000 HH x \$0.03 = \$15,000 Minimum Monthly Gross Sales Requirement)	
<b>Years in Operation Under this Agreement</b>	<b>Gross Sales \$ Factor</b>
Less than 1	Not Applicable
Greater than 1 but less than 2	\$0.03
Greater than 2 but less than 3	\$0.04
Greater than 3 but less than 4	\$0.05
Greater than 4 but less than 5	\$0.06
Greater than 5 but less than 6	\$0.07
Greater than 6 but less than 7	\$0.08
Greater than 7 but less than 8	\$0.09
Greater than 8 but less than 9	\$0.10
Greater than 9	\$0.11

Upon the renewal or transfer of the Franchise Agreement, for the purpose of determining your, or your assignee's Minimum Monthly Gross Sales Requirement, as applicable, the years in operation are measured from the date the initial franchise agreement was signed or as otherwise agreed to by CRDN. Further, unless modified in our Operations Manual, we will look at your sales by month billed, as reported in our proprietary software, each month to determine whether you have met your Minimum Monthly Gross Sales Requirement.

In the event that you do not achieve the required Minimum Monthly Gross Sales Requirement for any two (2) or more consecutive month period, upon notice, you will owe a royalty fee through EFT equal to the difference between what you would have been assessed for royalties had you achieved the required Minimum Monthly Gross Sales Requirement for the applicable month(s) and the actual royalties paid for the applicable month(s) (the "Minimum Royalty Fee").

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 13.**  
**TRADEMARKS**

As stated in Item 1, we have the exclusive right to use and license others to use the names and logos owned by CRDN as well as existing trademarks, service marks, and related names and marks as well as any future trademarks developed by us (the "Marks"). We will grant you the non-exclusive license to use the Marks.

The following Marks are registered or are in the process of being registered with the United States Patent and Trademark Office ("PTO") and the registrations are on the principal register unless otherwise noted:

<b><u>Marks</u></b>	<b><u>Registration Information</u></b>
<b>CRDN and logo</b> Class 35	SERIAL NO: 85639303
	FILING DATE: 5/31/12
	REGISTRATION DATE: 5/28/13
	REGISTRATION NO: 4341246
<b>CRDN and logo</b> Class 37	SERIAL NO: 85639339
	FILING DATE: 5/31/12
	REGISTRATION DATE: 1/8/13
	REGISTRATION NO: 4272328
<b>CERTIFIED RESTORATION DRYCLEANING NETWORK</b> Class 35	SERIAL NO: 88301275
	FILING DATE: 2/14/2019
	REGISTRATION DATE: 10/15/2019
	REGISTRATION NO: 5882824
<b>CERTIFIED RESTORATION DRYCLEANING NETWORK</b> Class 37	SERIAL NO: 88301317
	FILING DATE: 2/14/2019
	REGISTRATION DATE: 10/22/2019
	REGISTRATION NO: 5889146
<b>CRDN</b> Class 35	SERIAL NO: 88266914
	FILING DATE: 1/18/2019
	REGISTRATION DATE: 07/30/2019
	REGISTRATION NO: 5821197
<b>CRDN</b> Class 37	SERIAL NO: 88266977
	FILING DATE: 1/18/2019
	REGISTRATION DATE: 07/30/2019
	REGISTRATION NO: 5821202
<b>CRDN and logo</b> Class 35	SERIAL NO: 88253263
	FILING DATE: 1/8/2019
	REGISTRATION DATE: 05/07/2019
	REGISTRATION NO: 5812875
<b>CRDN and logo</b> Class 37	SERIAL NO: 88253222
	FILING DATE: 1/8/2019
	REGISTRATION DATE: 12/03/2019
	REGISTRATION NO: 5924515

No state trademark registrations have been filed. We intend, however, to commence an on-going practice of registering new trademarks for promotional or related advertising activities. We intend to renew all registrations as necessary.

Except for the registrations of the above Marks, there are no other effective determinations of the PTO or of the trademark administrator of any state or court in the United States. Neither are there any pending proceedings or material litigation involving the Marks that may limit your right to use of the Marks. We do not know of either superior rights before ours or infringing uses that could materially affect your use of the Marks in any state. All appropriate affidavits regarding use and ownership have been filed. Additionally, no agreements limit our right within the United States to use or license the use of the above mentioned Marks.

Your right to use the Marks is derived only from the Franchise Agreement and is limited to your operation of the Franchised Business in compliance with the Franchise Agreement and all System Standards (as defined in Article 11 of the Franchise Agreement). You must only use the Marks that CRDN designates for the Franchised Business, and you must use them in the manner CRDN authorizes and in strict compliance with the rules CRDN has established, as described in greater detail in Article 1 of the Franchise Agreement.

You are prohibited from registering or attempting to register the Marks in your name or the name of any person, entity or other third party, and you shall not take any action which might invalidate the Marks, impair any rights of CRDN in and to such Marks or create any rights adverse to those of CRDN. Moreover, you must use the Marks correctly spelled and/or depicted and not as a verb or in the plural or in any other manner which might endanger the validity of the Marks and/or, if registered, their registration. Franchisee shall use the Marks only in the style as may be registered, or if not registered, as prescribed by Franchisor

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or any claim by any person of any rights in any Mark. If an infringement, challenge, or claim, occurs you must not communicate with any person other than our attorneys, your attorneys, and us. We may take the action we deem appropriate and control exclusively any litigation, PTO proceeding, or any other administrative proceeding from the infringement, challenge, or claim or otherwise concerning any Mark. CRDN will indemnify and hold you harmless against any loss, damage or expense incurred in connection with any such infringement, challenge or claim so long as you have notified us in a timely manner of the claim or proceeding and otherwise complied with the terms of the Franchise Agreement. You will be required to sign any documents and take any action that, in the opinion of our attorneys, protects and maintains our interests in any litigation or PTO or other proceeding.

We retain the right, at our sole discretion, to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks and you must comply with our directions within a reasonable time not to exceed sixty (60) days after receiving notice. You must pay for these changes. We will not reimburse you for any loss of revenue due to any modified or discontinued Mark or for any expenditure you make to promote a modified or substitute trademark or service mark.

**ITEM 14.**  
**PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

**Patents and Copyrights.**

There are no patents or pending patent applications that are material to the franchise.

We assert trade secret and copyright protection for our Operations Manual, any other manuals we distribute, business forms, videos, proprietary software, CD/DVD-Rom and other printed and advertising material contained in the Franchise System.

Currently there are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements currently in effect that significantly limit our right to use or allow others to use the copyrighted materials. We do not know of any infringing uses that could materially affect your use of the copyrighted materials in any state. WE are not obligated to protect or defend copyrights, although we intend to do so when this action is in the best interest of the Franchise System.

You must notify us immediately of any apparent infringement or challenge to your use of any copyright or proprietary material/information, or any claim by any person of any rights in any such material/information. We will take the action we think is appropriate. You must also agree not to contest our interest in any material or information covered by a copyright or otherwise proprietary. CRDN will indemnify and hold you harmless against any loss, damage or expense incurred in connection with any such infringement, challenge or claim so long as you have notified us in a timely manner of the claim or proceeding and complied with the Franchise Agreement. You will be required to sign any documents and take any action that, in the opinion of our attorneys, protects and maintains our interests in any litigation or PTO or other proceeding.

We retain the right, at our sole discretion, to modify or discontinue using of any item covered by a copyright and you must comply with our directions relating to such actions within a reasonable time not to exceed sixty (60) days after receiving notice. You must pay for these changes. We will not reimburse you for any loss of revenue due to any modified or discontinued copyright or for any expenditure you make to promote a modified or substitute trademark or service mark.

**Confidential Information.**

We claim proprietary rights in our Operations Manual (including any and all other manuals distributed in connection with the operation of the Franchised Business), our Franchise Management System, any other manuals or other materials containing information deemed confidential ("Confidential Information") including all information, documentation, knowledge, data, techniques, or know-how, through any medium of expression, in any form or. Without limitation, "Confidential Information" includes lists of customers, business, marketing and sales information, instruction, methods, and techniques used in the operation of the Franchised Business, marketing and promotion, daily operations, personnel, and financial management. See Article 9.1 of the Franchise Agreement for a complete definition of Confidential Information.

We own all Confidential Information, including customer lists and you are prohibited from using the Confidential Information for any purpose other than to operate the Franchised Business and as described in the Franchise Agreement. You may never, during the term of the Franchise Agreement or after the Franchise Agreement is terminated or expires, reveal any of our Confidential Information to another



person or use it for any other person, third party or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize. All persons affiliated with you must sign our confidentiality and non-disclosure agreement. See Article 9.2 for additional terms and conditions related to the Confidential Information.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 15.**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

The “Franchisee” under the Franchise Agreement is a combination of one or more individuals, referred to as the “Principal Owner,” and a business entity, referred to as the “Franchisee Entity.” Franchisee, including at least one of the individuals defined as Principal Owner under the Franchise Agreement or his/her Designated Representative must: carry on, conduct and operate the Franchised Business on a full-time basis, in accordance with good business practice and in accordance with the System Standards, and policies of CRDN set forth in the Operations Manual; maintain such records and furnish such reports to CRDN as are set forth in the Operations Manual; acquire, retain and own, or lease, during the terms of this Agreement, all assets determined by CRDN to be reasonably necessary for the operation of such business, including but in no way limited to a processing plant and a storage facility both of adequate size and nature to facilitate operation of the Franchised Business; and, unless otherwise agreed in writing, conduct no business other than the Franchised Business from the location of Franchisee’s operation with the exception of your standard retail drycleaning and/or laundry business. See Article 5.5 of the Franchise Agreement.

Regarding the Franchisee Entity, all owners of the entity must sign a guaranty of the Franchisee Entity’s performance under the Franchise Agreement. See Exhibit G of the Franchise Agreement. No Principal Owner is required to have a certain percentage of interest/equity in the Franchisee Entity.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 16.**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

We require you to offer and sell only those goods and services that we have approved. You must offer all goods and services that we designate as required for all CRDN franchisees. The current required services that you must provide are textile restoration dry cleaning services and any ancillary services, including by way of example only dry cleaning, and inventory capture services, needed to perform and/or complete such textile restoration dry cleaning services, along with all other services that we periodically require as outlined in the Operations Manual, which may be updated from time to time, in accordance with our System Standards. There are no limits on our right to periodically modify, increase, or decrease the required and/or authorized services and service categories, and we may do so at our discretion. See Articles 5.4, 11.1 and 11.2.

We also designate some services as optional for qualified franchisees. The current optional services include electronic restoration services, art and collectibles restoration services, and full-service contents restoration services.

In order to perform electronic restoration services as part of the Franchised Business, you must: be in compliance with all obligations under your Franchise Agreement(s); be separately approved and credentialed by Franchisor per Franchised Territory; enter into an amendment to your Franchise Agreement(s) or such other documentation as CRDN requires; attend and satisfactorily complete electronic restoration training (either personally or through your authorized representative and/or electronic restoration serviced technician); and be subject to separate terms and conditions, including, without limitation, minimum job performance quotas and minimum electronic services gross sales requirements. There may be separate levels of electronic restoration services offered and, if so, the foregoing obligations may be separately required for each level of services. If you either elect not to or are not authorized to perform electronic restoration services as part of the Franchised Business, you will not be authorized to perform electronic restoration services whatsoever and we may, ourselves or through another CRDN franchisee or third party, perform electronic restoration services within your Franchised Territory. Up front fees to participate in the electronic restoration services program will vary, but current participation fees are as follows: \$22,500 for your initial/primary territory; and \$9,500 for each additional territory and such fees are payable upon the execution of each applicable amendment to your Franchise Agreement(s). You will receive an electronic restoration tool cart and a training credit for up to two persons as part of the participation fee. There will also be ongoing fees for the performance of electronics restoration services. These fees and all terms and conditions related to electronic restoration services are subject to change. In the event you have more than one CRDN territory/Franchised Business, we reserve the right to limit your participation in the electronic restoration services program to fewer than all of your CRDN franchised territories and the initial and/or primary territory in which you are authorized to perform electronic services must be one in which you have a processing plant. Further, we reserve the right to separately license and/or franchise the electronic restoration services program outside of the CRDN Franchise System and, in such event, to require your participation in such separately licensed and/or franchised model and to execute any documentation reasonably requested by us to properly effectuate such change in structure including, by way of example only, execution of a new franchise agreement or license agreement per Franchised Territory and a termination and release agreement related to any amendment or other documentation previously entered into for the performance of electronic restoration services as part of the Franchised Business.

In order to perform art and collectibles restoration services as part of the Franchised Business, you must: be in compliance with all obligations under your Franchise Agreement(s); be separately approved and

credentialed by Franchisor per Franchised Territory; enter into an amendment to your Franchise Agreement(s) or such other documentation as CRDN requires; attend and satisfactorily complete art and collectibles restoration training (either personally or through your authorized representative, art and collectibles restoration technician, and/or such other person as approved by CRDN); purchase/secure initial art restoration package items; complete certain other pre-commencement requirements; and be subject to separate terms and conditions, including, without limitation, job performance requirements and minimum art and collectibles restoration services gross sales requirements. There may be a separate levels and/or types of art and collectibles restoration services offered and, if so, the foregoing obligations may be separately required for each level of services and/or other requirements may apply. If you either elect not to or are not authorized to perform art and collectibles restoration services as part of the Franchised Business, you will not be authorized to perform art and collectibles restoration services whatsoever and we may, ourselves or through another CRDN franchisee or third party, perform art and collectibles restoration services within your Franchised Territory. Upfront fees to participate in the art and collectibles restoration services program will vary, but current participation fees are as follows: \$12,500 for your initial/primary territory; and \$2,500 for each additional territory and such fees are payable upon the execution of each applicable amendment to your Franchise Agreement(s). You will receive training for up to two persons as part of the participation fee. In addition to the participation fees payable to CRDN, you will also have to source an initial package of items ranging from approximately \$7,000 to \$13,000. There will also be ongoing fees for the performance of art and collectibles restoration services. These fees and all terms and conditions related to art and collectibles restoration services are subject to change. In the event you have more than one CRDN territory/Franchised Business, we reserve the right to limit your participation in the art and collectibles restoration services program to fewer than all of your CRDN franchised territories and the initial and/or primary territory in which you are authorized to perform art and collectibles services must be one in which you have a processing plant. Further, we reserve the right to separately license and/or franchise the art and collectibles restoration services program outside of the CRDN Franchise System and, in such event, to require your participation in such separately licensed and/or franchised model and to execute any documentation reasonably requested by us to properly effectuate such change in structure including, by way of example only, execution of a new franchise agreement or license agreement per Franchised Territory and a termination and release agreement related to any amendment or other documentation previously entered into for the performance of art and collectibles restoration services as part of the Franchised Business.

In order to perform full-service contents restoration services as part of the Franchised Business, you must: be in compliance with all obligations under your Franchise Agreement(s); be separately approved and credentialed by Franchisor per Franchised Territory; enter into an amendment to your Franchise Agreement(s) or such other documentation as CRDN requires; be currently performing art restoration services and electronic restoration services through the franchised business or be approved to perform and enter into the required amendments to perform art restoration services and electronic restoration services, as applicable, simultaneously upon entering into the amendment for full-service contents restoration services; attend and satisfactorily complete the initial contents restoration training (either personally or through your authorized representative); purchase/secure initial contents restoration package items; complete certain other pre-commencement requirements; and be subject to separate terms and conditions, including, without limitation, job performance requirements and minimum gross sales requirements. There may be a separate levels and/or types of contents restoration services offered and, if so, the foregoing obligations may be separately required for each level of services and/or other requirements may apply. If you either elect not to or are not authorized to perform full-service contents restoration services as part of the Franchised Business, you will not be authorized to perform full-service contents restoration services whatsoever and we may, ourselves or through another CRDN franchisee or third party, perform art and full-service contents restoration services within your Franchised Territory.

Upfront fees to participate in the full-service contents restoration services program will vary, but current participation fees are as follows: \$12,500 for your initial/primary territory; and \$2,500 for each additional territory and such fees are payable upon the execution of each applicable amendment to your Franchise Agreement(s). You will receive training for up to two persons as part of the participation fee. You will also have to source an initial package of items ranging from approximately \$6,000 to \$73,000. There will also be ongoing fees for the performance of full-service contents restoration services. These fees and all terms and conditions related to full-service contents restoration services are subject to change. In the event you have more than one CRDN territory/Franchised Business, we reserve the right to limit your participation in the full-service contents restoration services program to fewer than all of your CRDN franchised territories and the initial and/or primary territory in which you are authorized to perform art and collectibles services must be one in which you have a processing plant. Further, we reserve the right to separately license and/or franchise the full-service contents restoration services program outside of the CRDN Franchise System and, in such event, to require your participation in such separately licensed and/or franchised model and to execute any documentation reasonably requested by us to properly effectuate such change in structure including, by way of example only, execution of a new franchise agreement or license agreement per Franchised Territory and a termination and release agreement related to any amendment or other documentation previously entered into for the performance of full-service contents restoration services as part of the Franchised Business.

You must not perform any services that we have not authorized without our express, prior written approval. These excluded services include without limitation electronic restoration, art and collectibles restoration, full-service contents restoration (all if not authorized through CRDN), general contracting, reconstruction services, and/or other content cleaning or other similar services (such as furniture, carpeting, wall or structural cleaning) or services for any business in which our confidential information could be used to the disadvantage of CRDN or any CRDN franchisee. See Article 10.1 of the Franchise Agreement.

We do not impose any restrictions or conditions that limit your access to Customers, except for those described in this disclosure document. See Item 12.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 17.**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

ITEM 17: THE FRANCHISE RELATIONSHIP			
	Provision	Article in Franchise Agreement	Summary
a.	Length of the franchise term	Article 4.1	Term is 10 years from effective date of the Franchise Agreement
b.	Renewal or extension of the term	Article 4.2	If you are in compliance with the Franchise Agreement, you may renew the Franchise Agreement a successive 10 year renewal term by signing our then-current franchise agreement. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original/initial agreement.
c.	Requirements for franchisee to renew or extend	Article 4.2	Must have been/be in compliance with the terms of the Franchise Agreement for initial term; provide timely written notice of election to renew the Franchise Agreement for a successive 10 year renewal term; sign then current form of franchise agreement which may contain materially different terms and conditions from the original Franchise Agreement; pay the then current successor term fee; purchase/secure all then current equipment to be compliant with then current System Standards; sign then current release and waiver and remit payment for any amounts you owe us under the Franchise or any other agreement you have with us at that time.
d.	Termination by franchisee	Article 13.1	At the end of the Initial Term or the Successor Term, you may terminate the Franchise Agreement upon delivery of timely written notice and upon execution of a general release, in a form satisfactory to CRDN (subject to applicable state franchise law). The termination is effective upon the last day of the initial term or successive term, as applicable.
e.	Termination by franchisor without cause	None	We may not terminate you without cause.
f.	Termination by franchisor with cause	Article 13.2	We can terminate you only if you default
g.	“Cause” defined – curable defaults	Article 13.2	Under multiple for cause termination provisions, you are given the right to cure the default, as provided in Article 13.2

ITEM 17: THE FRANCHISE RELATIONSHIP			
	Provision	Article in Franchise Agreement	Summary
h.	“Cause” defined – non-curable defaults	Article 13.2	Under multiple for cause termination provisions our right to terminate is immediate, as provided in Article 13.2
i.	Franchisee’s obligations on termination/ non-renewal	Article 14.1	Obligations include: complete de-identification; transfer of phone numbers to us or cancellation of phone number; payment of amounts due under the Franchise Agreement and any other agreement you have with us; payment for any actual and consequential damages, costs, and expenses (including reasonable attorney and expert fees) incurred by us as a result of your default; return of all materials; cease of use of all materials and confidential information; and delivery of all customer information (also see r below).
j.	Assignment of contract by franchisor	Article 12.1	No restriction on our right to assign.
k.	“Transfer” – defined	Article 12.1	Any sale, assignment, transfer or encumbrance, in whole or part, of the Franchise Agreement; Franchisee’s rights and interests under this Agreement including those of the Principal Owner or Franchisee Entity; and the capital stock or other ownership interest of the Franchisee.
l.	Franchisor approval of transfer by franchisee	Article 12.2	All transfers must be approved by us.
m.	Conditions for franchisor approval of transfer	Article 12.3 & 12.4	Transferor is not in default under Franchise Agreement, all outstanding amounts owed to us and any applicable referral, broker or listing fees are paid, transferor remains compliant under the franchise agreement through the sale, transferor provides prior notice of intent to sell and complies with our right of first refusal, transferee qualifies, transferee and its owners are not or do not remain engaged in a competitive business outside our Franchised Business, you provide us with written authorization to release to the transferee any and all information about the operation of the Franchised Business, the transferee has signed our then current form of Franchise Agreement, transfer fee is paid, material terms of the purchase agreement approved, transferee successfully completes all Pre-Commencement Requirements, transferee renovates, remodels, etc. the Franchised Business facility as required., and release signed by transferor (also see r below). If transferee is existing franchisee, transferee signs cross-default

ITEM 17: THE FRANCHISE RELATIONSHIP			
	Provision	Article in Franchise Agreement	Summary
			amendment and the newest version of our Franchise Agreement for all owned CRDN Franchised Businesses. There are also separate provisions for a “Minority Transfer” which is any sale, assignment, transfer, or encumbrance of less than fifty percent (50%) of total capital stock or other equivalent ownership interest of Franchisee, measured both individually and in aggregate of all Minority Transfers. Transferor is not in default under Franchise Agreement and all sums owed to us are paid, CRDN gives written consent, copy of executed minority transfer agreement is given to CRDN, minority transfer fee is paid.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Article 12.7	Before transferring your interest in the Franchise Agreement, you must first offer us the right to purchase the interest on the same terms and conditions contained in any bona fide offer.
o.	Franchisor’s option to purchase franchisee’s business	None	We do not have an option to purchase your Franchised Business.
p.	Death or disability of franchisee	Article 12.8	Interest must be transferred to a third party approved by Franchisor within 90 days of such death, permanent incapacity, or dissolution and all transfer provisions (see m above) must be met or Franchisor may terminate with 30 days’ notice.
q.	Non-Solicitation and Non-Competition covenants during the term	Article 10	You and all relevant employees must enter into agreements that prohibit your solicitation and competition against us or the Franchise System (subject to applicable state law).
r.	Non-competition covenants after the franchise is terminated or expires	Article 14.2	Any owner of a CRDN franchise may not engage or be involved in any manner in a competing business for 24 months in your former Franchise Territory, within a radius of 20 miles from the perimeter of your former Franchise Territory, or in any territories of any CRDN franchises in operation at the time of termination (subject to applicable state law).
s.	Modification of the Agreement	Article 19.1	No modifications may be made unless in writing signed by both parties, but the Operations Manual (and System Standards) are subject to change.



ITEM 17: THE FRANCHISE RELATIONSHIP			
	Provision	Article in Franchise Agreement	Summary
t.	Integration/merger clause	Article 19.1	Only the terms of the Franchise Agreement are binding (subject to applicable state law). Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute resolution by mediation and Arbitration	Article 15	Except for certain claims, all disputes must first be mediated and then arbitrated before the American Arbitration Association office closest to our then principal business address (subject to applicable state franchise law).
v.	Choice of forum	Article 21.3	Subject to applicable law, any action must be brought in the appropriate state or federal court located in or serving the state and county (or parish) in which Franchisor maintains its principal place of business.
w.	Choice of law	Article 21.3	Subject to applicable law, Michigan law applies.

**ITEM 18.**  
**PUBLIC FIGURES**

We do not use any public figures to promote CRDN.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**ITEM 19.**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We have included below certain historical actual sales and job information for CRDN franchises. For all charts below, the term "gross sales" means total revenues less sales tax, discounts, allowances and refunds or credits. The financial performance representation figures below do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit.

As of December 31, 2022, all owners except for two who signed a Franchise Agreement had also commenced operations.

Where indicated, the data may represent service-specific gross sales information, which will be referred to as "textile-only", "electronics-only", "art-only", or "full-service contents only" services, as applicable, and means gross sales related to the performance of jobs in which only one service type was performed. Alternatively, where indicated, gross sales data may refer to "combo jobs", meaning jobs in which a combination of any two or more services were performed. As a reminder, performance of electronics restoration services, art restoration services, and full-service contents restoration services are optional services (see Item 16 of this disclosure document for detail).

Where indicated, we have included information from the one "company-owned" franchise, owned and operated by our affiliate, Huntington. As of December 31, 2022, Huntington's territory had 3,947,454 households and your Franchise Territory may contain more or less households. As of the date of this disclosure document, Huntington does not pay Royalty or contribute to the Fund.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable and consult with an attorney and other advisors prior to executing the Franchise Agreement. Additionally, you should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

Written substantiation of the financial performance representations made in this Item will be made available upon reasonable request. If you purchase a franchise, we will include your sales information in this Item.

A. Average and Median Annual Textile Sales of CRDN Franchises

The following tables provide information related to annual textile restoration gross sales for all United States CRDN franchised outlets as well as the one company-owned franchise for the fiscal years of 2020, 2021, and 2022 (our fiscal year end is December 31<sup>st</sup>). As of the fiscal year end of such years, we had

the following number of franchise territories, respectively: 135, 128, and 125 (including the one company-owned franchise each year).

The data separates the franchises into three categories: (1) franchise territories with 500,000 or less households; (2) franchise territories with 500,001 or more households; and (3) the company-owned franchise territory with more than 500,001 households.

For purposes of this Table A, the textile restoration gross sales figures include all textile-only jobs as well as all textile restoration services portions of combo jobs.

The figures are grouped by the number of years each franchise territory was in business as of the end of each fiscal year represented, and the years represented for each category and each fiscal year may vary. For example, in the less than 500,000 households category, there were no franchises in operation for seventh years in 2022; therefore, the seventh year is not included in the 2022 chart below.

Only those franchise territories that completed a full year of sales in the applicable fiscal year represented below were included in the figures. For example, a franchise that commenced operations on May 1, 2020 had a full year of sales data as of May 1, 2021, and since the date May 1, 2021 is prior to our 2021 fiscal year end of December 31, 2021, that franchisee's sales will be included in the 2021 figures below. However, that same franchisee will not be represented in the 2020 figures below since they did not have a full year of sales completed as of our 2020 fiscal year end of December 31, 2020. Additionally, there are twelve franchise territories not included in the 2021 numbers below because they commenced operations during the calendar year of 2022 and were not in operation a full year as of our fiscal year end in 2022. Sales for franchisees who own multiple franchises are reported separately.

No job data is included for any franchises that left the (system through termination, expiration or transfer) in any of the years represented in the chart below (2020-2022). As of the fiscal year end of such years, the following number of franchise territories left the system, respectively: 10, 12, and 15.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

**Average and Median Annual Textile Restoration Sales  
CRDN Franchise Territories with 500,000 or Less Households**

<b>2020</b>							
<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
1	2	\$541,674.96	\$541,674.96	\$739,802.64	\$343,547.27	1 (50%)	1 (50%)
4	3	\$182,969.98	\$226,306.17	\$226,599.72	\$96,004.04	2 (66.67%)	2 (66.67%)
6	1	\$503,351.70	\$503,351.70	\$503,351.70	\$503,351.70	N/A (N/A)	N/A (N/A)
7	3	\$488,450.94	\$541,806.99	\$720,671.26	\$202,874.58	2 (66.67%)	2 (66.67%)
10	1	\$302,024.02	\$302,024.02	\$302,024.02	\$302,024.02	N/A (N/A)	N/A (N/A)
11	1	\$134,202.34	\$134,202.34	\$134,202.34	\$134,202.34	N/A (N/A)	N/A (N/A)
12	2	\$362,500.36	\$362,500.36	\$379,814.01	\$345,186.71	1 (50%)	1 (50%)
13	2	\$567,238.52	\$567,238.52	\$579,661.52	\$554,815.52	1 (50%)	1 (50%)
15	4	\$436,962.64	\$257,781.29	\$1,052,032.40	\$180,255.57	1 (25%)	2(50%)
16	3	\$556,906.00	\$316,468.15	\$1,049,331.62	\$304,918.23	1 (33.33%)	2 (66.67%)
17	3	\$406,448.25	\$426,311.21	\$467,484.31	\$325,549.24	2 (66.67%)	2 (66.67%)
18	1	\$1,203,340.42	\$1,203,340.42	\$1,203,340.42	\$1,203,340.42	N/A (N/A)	N/A (N/A)
<b>2021</b>							
<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
2	2	\$516,229.86	\$516,229.86	\$667,166.44	\$365,293.27	1 (50%)	1 (50%)
5	3	\$129,716.08	\$89,699.30	\$222,486.18	\$76,962.75	1 (33.33%)	2 (66.67%)

7	1	\$494,336.89	\$494,336.89	\$494,336.89	\$494,336.89	N/A (N/A)	N/A (N/A)
8	3	\$515,306.78	\$259,885.80	\$1,058,648.17	\$227,386.38	1 (33.33%)	2 (66.67%)
11	1	\$189,461.41	\$189,461.41	\$189,461.41	\$189,461.41	N/A (N/A)	N/A (N/A)
12	1	\$188,019.34	\$188,019.34	\$188,019.34	\$188,019.34	N/A (N/A)	N/A (N/A)
13	2	\$385,868.02	\$385,868.02	\$402,168.27	\$369,567.76	1 (50%)	1 (50%)
14	2	\$529,279.19	\$529,279.19	\$618,444.09	\$440,114.28	1 (50%)	1(50%)
16	4	\$469,757.18	\$321,049.77	\$1,029,009.28	\$207,919.89	1 (25%)	2 (50%)
17	3	\$519,395.18	\$461,024.67	\$832,564.43	\$264,596.44	1 (33.33%)	2 (66.67%)
18	3	\$470,141.90	\$421,297.27	\$629,146.28	\$359,982.15	1 (33.33%)	2 (66.67%)
19	1	\$934,524.59	\$934,524.59	\$934,524.59	\$934,524.59	N/A (N/A)	N/A (N/A)

**2022**

<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
3	2	\$494,868.96	\$494,868.96	\$568,735.25	\$421,002.67	1 (50%)	1 (50%)
6	3	\$247,817.80	\$87,498.15	\$577,200.61	\$78,754.63	1 (33.33%)	2 (66.67%)
8	1	\$543,094.60	\$543,094.60	\$543,094.60	\$543,094.60	N/A (N/A)	N/A (N/A)
9	3	\$587,731.98	\$519,632.17	\$986,282.69	\$257,281.09	1 (33.33%)	2 (66.67%)
12	1	\$260,923.13	\$260,923.13	\$260,923.13	\$260,923.13	N/A (N/A)	N/A (N/A)
13	1	\$794,275.52	\$794,275.52	\$794,275.52	\$794,275.52	N/A (N/A)	N/A (N/A)
14	2	\$251,597.79	\$251,597.79	\$280,856.91	\$222,338.67	1 (50%)	1 (50%)
15	2	\$530,168.89	\$530,168.89	\$533,562.64	\$526,775.13	1 (50%)	1 (50%)
17	4	\$436,270.88	\$337,556.66	\$886,433.02	\$183,537.18	1 (25%)	2 (50%)
18	3	\$571,548.15	\$487,924.97	\$956,072.70	\$270,646.78	1 (33.33%)	2 (66.67%)
19	3	\$447,204.89	\$517,200.82	\$533,326.05	\$291,087.81	1 (33.33%)	2 (66.67%)
20	1	\$809,601.86	\$809,601.86	\$809,601.86	\$809,601.86	N/A (N/A)	N/A (N/A)

**Average and Median Annual Textile Restoration Sales  
CRDN Franchise Territories with 500,001 or More Households**

<b>2020</b>							
<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
1	3	\$700,773.91	\$804,892.41	\$1,162,839.08	\$134,590.23	2 (66.67%)	2 (66.67%)
2	3	\$660,849.36	\$574,226.28	\$1,276,811.42	\$131,510.38	1 (33.33%)	2 (66.67%)
3	4	\$698,885.97	\$735,504.72	\$1,000,251.82	\$324,282.64	3 (75%)	2 (50%)
4	7	\$719,935.88	\$609,525.09	\$1,166,006.20	\$376,758.01	3 (42.86%)	4 (57.14%)
5	1	\$297,182.51	\$297,182.51	\$297,182.51	\$297,182.51	N/A (N/A)	NA (N/A)
6	1	\$626,537.77	\$626,537.77	\$626,537.77	\$626,537.77	N/A (N/A)	NA (N/A)
7	4	\$605,163.24	\$687,569.01	\$797,483.89	\$248,031.03	2 (50%)	2 (50%)
8	3	\$636,195.40	\$613,126.52	\$878,338.15	\$417,121.53	1 (33.33%)	2 (66.67%)
9	6	\$1,030,844.91	\$996,404.23	\$1,454,659.32	\$551,466.37	3 (50%)	3 (50%)
10	3	\$851,138.77	\$723,069.84	\$1,207,328.77	\$623,017.71	1 (33.33%)	2 (66.67%)
11	4	\$825,155.66	\$777,354.23	\$1,084,909.94	\$661,004.24	2 (50%)	2 (50%)
12	3	\$575,311.63	\$634,481.87	\$903,780.72	\$187,672.31	1 (66.67%)	1 (566.67%)
13	2	\$845,280.77	\$845,280.77	\$871,048.62	\$819,512.91	1 (50%)	1 (50%)
14	3	\$888,981.85	\$220,153.41	\$2,236,430.34	\$210,361.80	1 (33.33%)	2 (66.67%)
15	4	\$1,006,375.51	\$838,571.87	\$1,864,109.05	\$484,249.26	2 (50%)	2 (50%)
16	2	\$1,137,732.59	\$1,137,732.59	\$2,036,339.50	\$239,125.68	1 (50%)	1 (50%)
17	10	\$937,239.88	\$899,010.04	\$1,501,595.69	\$466,735.17	5 (50%)	5 (50%)
18	9	\$1,052,236.74	\$1,022,985.78	\$2,226,012.50	\$229,910.79	4 (44.44%)	4 (44.44%)
19	1	\$663,300.38	\$663,300.38	\$663,300.38	\$663,300.38	N/A (N/A)	NA (N/A)

**2021**

<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
1	8	\$743,756.00	\$698,279.24	\$1,363,874.53	\$213,775.06	3 (37.50%)	4 (50%)
2	3	\$831,694.87	\$1,057,501.39	\$1,112,885.99	\$324,697.23	2 (66.67%)	2 (66.67%)
3	3	\$388,719.06	\$428,151.11	\$603,050.83	\$134,955.23	2 (66.67%)	1 (33.33%)
4	4	\$716,617.93	\$765,206.12	\$1,104,900.05	\$231,159.42	2(50%)	2(50%)
5	7	\$880,343.79	\$756,836.80	\$1,675,263.13	\$313,988.86	2 (28.57%)	4 (57.14%)
6	1	\$216,198.97	\$216,198.97	\$216,198.97	\$216,198.97	N/A (N/A)	NA (N/A)
7	1	\$753,629.42	\$753,629.42	\$753,629.42	\$753,629.42	N/A (N/A)	NA (N/A)
8	4	\$667,729.93	\$620,272.06	\$1,125,609.90	\$304,765.69	2(50%)	2(50%)
9	3	\$597,871.05	\$378,583.80	\$1,174,493.66	\$240,535.69	1 (33.33%)	2 (66.67%)
10	6	\$927,590.90	\$828,885.57	\$1,594,696.97	\$469,078.64	2 (33.33%)	3 (50%)
11	3	\$703,366.36	\$613,966.86	\$1,032,476.16	\$463,656.05	1 (33.33%)	2 (66.67%)
12	4	\$819,387.21	\$861,216.26	\$992,411.20	\$562,705.11	2 (50%)	2 (50%)
13	3	\$799,594.70	\$793,412.39	\$970,519.71	\$634,851.99	1 (33.33%)	2 (66.67%)
14	2	\$1,011,590.24	\$1,011,590.24	\$1,111,601.52	\$911,578.95	1 (50%)	1 (50%)
15	3	\$1,005,615.43	\$365,661.94	\$2,545,919.58	\$105,264.78	1 (33.33%)	2 (66.67%)
16	4	\$1,099,440.04	\$877,113.44	\$2,130,257.07	\$513,276.22	2 (50%)	2 (50%)
17	2	\$1,166,122.28	\$1,166,122.28	\$2,045,311.06	\$286,933.50	1(50%)	1 (50%)
18	10	\$864,050.60	\$696,133.91	\$1,535,079.89	\$374,962.61	4 (40%)	5 (50%)
19	9	\$1,154,318.26	\$1,133,280.57	\$2,701,613.48	\$318,131.26	4 (44.44%)	5 (55.56%)
20	1	\$927,815.42	\$927,815.42	\$927,815.42	\$927,815.42	N/A (N/A)	N/A (N/A)

**2022**

<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
1	5	\$1,449,253.46	\$1,331,858.16	\$2,909,931.42	\$283,388.32	2 (40%)	3 (60%)
2	8	\$741,450.55	\$646,380.74	\$1,348,382.50	\$187,856.83	3 (37.50%)	4 (50%)
3	3	\$554,935.76	\$700,488.43	\$705,130.90	\$259,187.95	2 (66.67%)	2 (66.67%)
4	3	\$483,763.19	\$488,967.88	\$748,030.59	\$214,291.09	2 (66.67%)	2 (66.67%)
5	4	\$795,085.90	\$619,409.31	\$1,431,632.56	\$509,892.42	1 (25%)	2 (50%)
6	7	\$1,013,332.87	\$550,051.47	\$2,434,728.44	\$354,852.28	3 (42.86%)	4 (57.14%)
7	1	\$326,387.11	\$326,387.11	\$326,387.11	\$326,387.11	N/A (N/A)	N/A (N/A)
8	1	\$762,713.08	\$762,713.08	\$762,713.08	\$762,713.08	N/A (N/A)	N/A (N/A)
9	4	\$599,224.58	\$494,453.86	\$1,215,596.62	\$192,393.99	1 (25%)	2 (50%)
10	3	\$626,641.83	\$520,457.84	\$1,003,763.13	\$355,704.52	1 (33.33%)	2 (66.67%)
11	6	\$988,237.59	\$911,266.15	\$2,019,825.94	\$425,302.15	3 (50%)	3 (50%)
12	3	\$862,328.16	\$813,337.66	\$1,133,189.77	\$640,457.06	1 (33.33%)	2 (66.67%)
13	4	\$1,046,683.96	\$1,041,636.58	\$1,537,236.79	\$566,225.88	2 (50%)	2 (50%)
14	3	\$718,322.19	\$631,449.99	\$1,118,925.77	\$404,590.81	1 (33.33%)	2 (66.67%)
15	2	\$1,385,991.49	\$1,385,991.49	\$1,448,910.99	\$1,323,072.00	1 (50%)	1 (50%)
16	3	\$989,094.17	\$329,884.84	\$2,420,325.27	\$217,072.41	1 (33.33%)	2 (66.67%)
17	4	\$1,180,636.23	\$840,528.53	\$2,536,011.71	\$505,476.13	1 (25%)	2 (50%)
18	2	\$1,336,133.56	\$1,336,133.56	\$2,234,398.29	\$437,868.82	1 (50%)	1 (50%)
19	10	\$1,129,397.11	\$943,229.44	\$2,728,992.03	\$353,795.65	4 (40%)	5 (50%)
20	9	\$1,155,946.18	\$1,016,626.83	\$2,920,832.00	\$385,838.64	2 (22.22%)	5 (55.56%)
21	9	\$940,103.39	\$940,103.39	\$940,103.39	\$940,103.39	N/A (N/A)	N/A (N/A)

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK



**Average and Median Annual Textile Restoration Sales**  
**CRDN Company-Owned Franchise with 500,001 or More Households**

<b>2020</b>							
<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
20	1	\$4,499,937.38	\$4,499,937.38	\$4,499,937.38	\$4,499,937.38	N/A (N/A)	N/A (N/A)
<b>2021</b>							
<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
21	1	\$4,214,490.18	\$4,214,490.18	\$4,214,490.18	\$4,214,490.18	N/A (N/A)	N/A (N/A)
<b>2022</b>							
<b>Year in Business</b>	<b>Number of Territories</b>	<b>Average Annual Gross Sales</b>	<b>Median Annual Gross Sales</b>	<b>High Annual Gross Sales</b>	<b>Low Annual Gross Sales</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Average</b>	<b>Number of and Percentage of Territories Attaining or Surpassing Median</b>
22	1	\$4,749,334.67	\$4,749,334.67	\$4,749,334.67	\$4,749,334.67	N/A (N/A)	N/A (N/A)

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

## B. Historical Restoration Services

The tables below provide gross sales information related to annual textile-only jobs, electronics-only jobs, art-only jobs, full-service contents only jobs, combo jobs, and total jobs for all United States CRDN franchised outlets as well as the one company-owned franchise, for the fiscal years of 2019 through 2022 (our fiscal year end is December 31). As of the fiscal year end of such years, we had the following number of franchises, respectively: 134, 135, 128 and 125.

The service-specific job charts below for textile-only, electronics-only, art-only, and full-service contents only services include gross sales related to the performance of jobs in which only the one indicated service type was performed. The combo job charts include gross sales related to jobs in which a combination of any two or more services were performed. Combo job sales figures are separate from and in addition to the service-specific sales figures. The total job charts below provide the aggregate combined gross sales from each of the four service-specific categories as well as combo jobs.

All charts below provide the percentage billed attributable to programs, referring to the insurance Programs defined and described in Item 12 of this disclosure document. As stated in Item 12, we cannot guarantee that you will be granted acceptance into any Program or receive assignments for the performance of Services in any Program.

As of December 31, 2022, all our franchisees were certified to provide electronics restoration services, 81 franchisees owning 121 franchises were certified to provide art restoration services, and, as further detailed in Table C. of this Item 19 below, 44 franchisees owning 77 franchises, were certified to provide full-service contents restoration services. Please note that CRDN's programs for electronic restoration services, art restoration services, and full-service contents restoration services are optional. Art restoration services were first offered in June 2020 and the full-service contents restoration services were first offered in February 2022 as part of a pilot program and then offered system wide starting in August 2022. As such, the charts below only include data for art restoration services and full-service contents restoration services for the applicable years that these services were offered. Electronic restoration services commenced in 2016 and thus sales for such services are included for all years represented in the charts below (2019-2022). Our "company-owned" franchise owned by our affiliate, Huntington, did not participate in full-service contents restoration services in 2022, so there is no chart for such services under the heading of CRDN Company-Owned Franchise.

The figures below include data from franchises of varying household counts and/or sizes and include all jobs performed by franchises during any portion of each applicable fiscal year during which that franchise was operational. For example, a franchise that commenced operations and took its first job on June 1, 2019, will have jobs serviced from June 1, 2019 through December 31, 2019, and all jobs for the full fiscal years of 2020 through 2022 included in the charts below, but there will be no data included (as no data exists) for this franchise for January 1 through May 31 of 2019.

No job data is included for any franchises that left the system (through termination, expiration or transfer) in any of the years represented in the charts below (2019-2022). As of the fiscal year end of such years, the following number of franchise territories left the system, respectively: 7, 10, 12 and 15.

**CRDN Franchise Territories: Textile-Only**

<b>Fiscal Year</b>	<b>Number of Textile only Jobs Reported</b>	<b>Sum of All Textile only Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2019	8,497	\$39,488,687.16	46.49%	\$4,647.37	\$2,073.30	\$114,129.83	\$0.01
2020	7,398	\$34,774,416.77	45.50%	\$4,700.52	\$2,118.78	\$96,203.74	\$23.36
2021	7,634	\$36,883,064.10	44.43%	\$4,831.42	\$1,987.82	\$149,938.62	\$0.03
2022	7,986	\$44,879,500.53	50.20%	\$5,619.77	\$2,284.00	\$894,089.82	\$0.26
<b>Grand Average</b>	<b>7,879</b>	<b>\$39,006,417.14</b>	<b>46.65%</b>	<b>\$4,949.77</b>	<b>\$2,115.97</b>	<b>\$313,590.50</b>	<b>\$5.92</b>

**CRDN Franchise Territories: Electronics-Only**

<b>Fiscal Year</b>	<b>Number of Electronics only Jobs Reported</b>	<b>Sum of All Electronics only Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2019	1,272	\$2,413,217.57	40.41%	\$1,897.18	\$595.00	\$136,192.29	\$48.41
2020	1,116	\$2,460,468.27	38.08%	\$2,204.72	\$584.46	\$103,968.94	\$54.48
2021	1,253	\$2,593,022.44	50.76%	\$2,069.45	\$577.34	\$160,000.00	\$18.31
2022	2,043	\$3,641,300.54	61.18%	\$1,782.33	\$565.72	\$220,572.00	\$6.30
<b>Grand Average</b>	<b>1,421</b>	<b>\$2,777,002.20</b>	<b>47.61%</b>	<b>\$1,988.42</b>	<b>\$580.63</b>	<b>\$155,183.31</b>	<b>\$31.88</b>

**CRDN Franchise Territories: Art-Only**

<b>Fiscal Year</b>	<b>Number of Art only Jobs Reported</b>	<b>Sum of All Art only Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2020	22	\$95,433.88	13.64%	\$4,337.90	\$1,684.33	\$33,020.02	\$126.01
2021	97	\$515,246.70	3.09%	\$5,311.82	\$2,893.56	\$42,896.69	\$103.93
2022	179	\$912,341.31	5.03%	\$5,096.88	\$2,321.10	\$117,116.02	\$6.30
<b>Grand Average</b>	<b>99</b>	<b>\$507,673.96</b>	<b>7.25%</b>	<b>\$4,915.53</b>	<b>\$2,299.66</b>	<b>\$64,344.24</b>	<b>\$78.75</b>

**CRDN Franchise Territories: Full-Service Contents-Only**

<b>Fiscal Year</b>	<b>Number of Contents only Jobs Reported</b>	<b>Sum of All Contents only Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2021	1	\$47,296.35	0.00%	\$47,296.35	\$47,296.35	\$47,296.35	\$47,296.35
2022	215	\$2,199,705.77	20.00%	\$10,231.19	\$6,531.47	\$61,954.69	\$147.36
<b>Grand Average</b>	<b>108</b>	<b>\$2,247,002.12</b>	<b>19.91%</b>	<b>\$10,402.79</b>	<b>\$6,569.56</b>	<b>\$61,954.69</b>	<b>\$147.36</b>

**CRDN Franchise Territories: Combo Jobs**

<b>Fiscal Year</b>	<b>Number of Combo Jobs Reported</b>	<b>Sum of All Combination Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2019	4,319	\$46,282,640.36	54.16%	\$10,716.05	\$8,095.68	\$164,159.56	\$108.08
2020	4,471	\$52,775,123.81	51.71%	\$11,803.87	\$8,695.10	\$131,668.53	\$108.76
2021	4,938	\$66,818,004.56	50.30%	\$13,531.39	\$9,660.71	\$381,252.15	\$100.08
2022	5,735	\$95,481,313.16	49.71%	\$16,648.88	\$10,955.93	\$460,890.25	\$175.41
<b>Grand Average</b>	<b>4,866</b>	<b>\$65,339,270.47</b>	<b>51.47%</b>	<b>\$13,175.05</b>	<b>\$9,351.85</b>	<b>\$284,492.62</b>	<b>\$123.08</b>

**CRDN Franchise Territories: Total Jobs**

<b>Fiscal Year</b>	<b>Number of All Jobs Reported</b>	<b>Sum of All Jobs Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2019	14,088	\$88,184,545.09	48.29%	\$6,259.55	\$3,106.91	\$164,159.56	\$0.01
2020	13,007	\$90,105,442.73	46.94%	\$6,927.46	\$3,380.30	\$131,668.53	\$23.36
2021	13,923	\$106,856,634.14	46.79%	\$7,674.83	\$3,480.25	\$381,252.15	\$0.03
2022	16,158	\$147,114,161.31	50.51%	\$9,104.73	\$3,731.46	\$894,089.82	\$0.26
<b>Grand Average</b>	<b>14,294</b>	<b>\$108,065,195.82</b>	<b>48.14%</b>	<b>\$7,491.64</b>	<b>\$3,424.73</b>	<b>\$392,792.52</b>	<b>\$5.92</b>

**CRDN Company-Owned Franchise: Textiles-Only**

<b>Fiscal Year</b>	<b>Number of Textile only Jobs Reported</b>	<b>Sum of Textile only Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2019	409	\$1,711,936.76	55.75%	\$4,185.66	\$1,810.25	\$82,520.51	\$62.54
2020	247	\$1,276,766.89	57.09%	\$5,169.10	\$1,867.15	\$43,444.98	\$107.79
2021	227	\$1,460,098.27	55.07%	\$6,432.15	\$1,679.58	\$459,000.00	\$86.52
2022	207	\$1,130,826.92	50.72%	\$5,462.93	\$2,004.26	\$37,837.52	\$200.00
<b>Grand Average</b>	<b>273</b>	<b>\$1,394,907.21</b>	<b>54.66%</b>	<b>\$5,312.46</b>	<b>\$1,840.31</b>	<b>\$155,700.75</b>	<b>\$114.21</b>

**CRDN Company-Owned Franchise: Electronics-Only**

<b>Fiscal Year</b>	<b>Number of Electronics only Jobs Reported</b>	<b>Sum of Electronics only Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2019	194	\$532,948.56	31.96%	\$2,747.16	\$1,060.30	\$85,032.88	\$105.24
2020	194	\$2,146,269.94	43.30%	\$11,063.25	\$1,093.90	\$486,386.02	\$104.28
2021	247	\$1,549,556.78	57.89%	\$6,273.51	\$868.32	\$702,600.49	\$144.00
2022	197	\$1,475,507.62	58.88%	\$7,489.89	\$1,458.20	\$340,596.96	\$87.07
<b>Grand Average</b>	<b>208</b>	<b>\$1,426,070.73</b>	<b>48.01%</b>	<b>\$6,893.45</b>	<b>\$1,120.18</b>	<b>\$403,654.09</b>	<b>\$110.15</b>

**CRDN Company-Owned Franchise: Art-Only**

<b>Fiscal Year</b>	<b>Number of Art only Jobs Reported</b>	<b>Sum of Art only Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2020	3	\$7,761.31	0.00%	\$2,587.10	\$1,262.02	\$5,889.91	\$609.38
2021	15	\$63,006.03	0.00%	\$4,200.40	\$2,405.58	\$12,353.52	\$82.60
2022	12	\$335,475.79	0.00%	\$27,956.32	\$5,124.54	\$157,957.51	\$473.72
<b>Grand Average</b>	<b>10</b>	<b>\$135,414.38</b>	<b>0.00%</b>	<b>\$11,581.27</b>	<b>\$2,930.71</b>	<b>\$58,733.65</b>	<b>\$388.57</b>

**CRDN Company-Owned Franchise: Combo Jobs**

<b>Fiscal Year</b>	<b>Number of Combo Jobs Reported</b>	<b>Sum of Combination Services Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2019	381	\$4,314,837.28	54.86%	\$11,325.03	\$7,485.57	\$292,976.43	\$189.82
2020	355	\$4,352,795.88	55.49%	\$12,261.40	\$7,576.31	\$138,090.63	\$250.00
2021	397	\$5,982,729.45	58.19%	\$15,069.85	\$9,245.35	\$515,449.69	\$300.00
2022	391	\$7,312,318.85	59.08%	\$18,701.58	\$12,896.67	\$253,233.46	\$316.45
<b>Grand Average</b>	<b>381</b>	<b>\$5,490,670.37</b>	<b>56.90%</b>	<b>\$14,339.46</b>	<b>\$9,300.98</b>	<b>\$299,937.55</b>	<b>\$264.07</b>

**CRDN Company-Owned Franchise: Total Jobs**

<b>Fiscal Year</b>	<b>Number of All Jobs Reported</b>	<b>Sum of All Jobs Billed</b>	<b>Percentage Billed Attributable to Programs</b>	<b>Average Billed Per Job</b>	<b>Median Billed Per Job</b>	<b>High Billed Per Job</b>	<b>Low Billed Per Job</b>
2019	984	\$6,559,722.60	50.71%	\$6,666.38	\$2,874.53	\$292,976.43	\$62.54
2020	799	\$7,783,594.02	52.82%	\$9,741.67	\$3,725.09	\$486,386.02	\$104.28
2021	886	\$9,055,390.53	56.32%	\$10,220.53	\$3,390.10	\$702,600.49	\$82.60
2022	807	\$10,254,129.18	56.01%	\$12,706.48	\$5,580.46	\$340,596.96	\$87.07
<b>Grand Average</b>	<b>869</b>	<b>\$8,413,209.08</b>	<b>53.96%</b>	<b>\$9,833.77</b>	<b>\$3892.54</b>	<b>\$455,639.98</b>	<b>\$84.12</b>

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

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK

### C. Full-Service Contents Restoration Services Adoption

The following provides full-service contents restoration services figures on a monthly and annual basis for all United States CRDN franchised outlets that have elected to participate in CRDN's optional program of adding full-service contents restoration services (referred to below as "Full-Service Contents Services") to their Franchised Business. As of December 31, 2022, the one company-owned franchise, owned by our affiliate, Huntington, was not participating in full-service contents restoration services.

Each franchisee trained and approved to provide Full-Service Contents Services will be referred to below as a "Full-Service Contents Certified Franchisee" and collectively, "Full-Service Contents Certified Franchisees". Each Franchised Business (many owners own more than one location) approved to add Full-Service Contents Services will be referred to below as a "Full-Service Contents Certified Franchised Business" and collectively, the "Full-Service Contents Certified Franchised Businesses".

The chart illustrates the rate of Full-Service Contents Services program adoption by providing the number of new Full-Service Contents Certified Franchisees and Full-Service Contents Certified Franchised Businesses added during each month. CRDN started offering the optional Full-Service Contents Services program beginning in February 2022 with a pilot program. Then, CRDN rolled the services out system wide in August 2022 and typically offered training for Full-Service Contents Services each month through December 2022.

Full-Service Contents Services are often performed as part of combo jobs with textile restoration services, electronics restoration services, and/or art restoration services, so jobs for Full-Service Contents Services are typically not standalone jobs, but they could be. The information below depicts full-service contents-only jobs with Full-Service Contents Services only and does not include any amounts billed for Full-Service Contents Services as part of any combo jobs. Any job in which Full-Service Contents Services were combined with any other restoration service is included in the combo jobs chart in table B above in this Item 19.

These figures include data from franchises of varying household counts and/or sizes. The sales data is included for Full-Service Contents Certified Franchised Businesses from the date they commenced performance of Full-Service Contents Services and during any represented period they continued to be operational and perform Full-Service Contents Services. For example, a Full-Service Contents Certified Franchised Business that took its first Full-Service Contents Services job on September 1, 2022, will have jobs serviced from September 1, 2022 through December 31, 2022 included below, but there will be no data included (as no data exists) for this franchise from January of 2022 through August of 2022.

No training or job data is included for any Full-Service Contents Certified Franchised Businesses that left the system (through termination, expiration or transfer) in any of the years represented in the chart below (2022). As of the fiscal year end of such year, the following number of Full-Service Contents Certified Franchised Businesses left the system: 0.

### CRDN Franchise Territories

Month & Year	Running Number of Full-Service Contents Certified Franchisees	Running Number of Full-Service Contents Certified Franchised Businesses	Number of Jobs with Full-Service Contents-Only Services Reported	Sum of Full-Service Contents Services Billed
September 2021*	0	0	1	\$47,296.35
January 2022*	0	0	2	\$63,223.64
February 2022	6	11	7	\$50,379.57
March 2022	6	11	8	\$76,190.06
April 2022	6	11	5	\$52,499.31
May 2022	6	11	11	\$100,933.12
June 2022	6	11	13	\$88,267.28
July 2022	6	11	16	\$225,666.48
August 2022	12	20	25	\$300,740.89
September 2022	17	31	20	\$189,107.92
October 2022	24	43	29	\$228,744.26
November 2022	31	55	47	\$486,128.22
December 2022	44	77	32	\$337,825.02
<b>Total as of December 31, 2022</b>	<b>44</b>	<b>77</b>	<b>216</b>	<b>\$2,247,002.12</b>

\* The pilot for Full-Service Contents officially commenced in February 2022, but three full-service contents jobs – one in September 2021 and two in January 2022 - were performed prior to the official pilot start date that were ultimately classified as full-service contents restoration jobs.

As of December 31, 2022, we had a total of 84 CRDN franchisees with 125 Franchised Businesses (including Huntington and its one Franchised Business). Based on the tables above, as of December 31, 2022, 52.38% of CRDN franchisees were Contents Certified Franchisees and 61.60% of the Franchised Businesses were Contents Certified Franchised Businesses.

**Some franchises have sold this amount. Your individual results may differ. There is no assurance you will sell as much.**

Other than the preceding financial performance representations, CRDN does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jessica McGrath, Chief Administrative Officer and General Counsel, 2060 Coolidge Hwy., Berkley, MI 48072, the Federal Trade Commission, and the appropriate state regulatory agencies.



**ITEM 20.**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**

<b>System-wide Outlet Summary For Years 2020 to 2022</b>				
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2020	133	134	+1
	2021	134	127	-7
	2022	127	124	-3
Company- Owned*	2019	1	1	0
	2020	1	1	0
	2021	1	1	0
<b>Total Outlets</b>	<b>2020</b>	<b>134</b>	<b>135</b>	<b>+1</b>
	<b>2021</b>	<b>135</b>	<b>128</b>	<b>-7</b>
	<b>2022</b>	<b>128</b>	<b>125</b>	<b>-3</b>

\*This location is owned and operated by our affiliate, Huntington.

**TABLE NO. 2**

<b>Transfers of Outlets from Franchisees to New Owners (other than Franchisor or Affiliate) for Years 2020 to 2022</b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Alabama	2020	1
	2021	0
	2022	0
Arizona	2020	0
	2021	0
	2022	2
California	2020	0
	2021	0
	2022	0
Florida	2020	1
	2021	0

	2022	0
Georgia	2020	1
	2021	1
	2022	0
Illinois	2020	0
	2021	0
	2022	0 <sup>^</sup>
Kansas	2020	0
	2021	1
	2022	0
Maine	2020	0
	2021	0
	2022	1
Maryland	2020	1
	2021	0
	2022	0
New Hampshire	2020	0
	2021	0
	2022	1
New York	2020	0
	2021	2
	2022	0
Pennsylvania	2020	0
	2021	0
	2022	1
Tennessee	2020	1
	2021	0
	2022	0
Texas	2020	0
	2021	0
	2022	2
Virginia	2020	3
	2021	0
	2022	2
Washington	2020	0
	2021	1
	2022	0
<b>Totals</b>	<b>2020</b>	<b>8</b>
	<b>2021</b>	<b>5</b>
	<b>2022</b>	<b>10</b>

<sup>^</sup> There was a transfer documented in December 2022, but the new owner was not operational as of December 31, 2022, so we did not count this transfer as complete in the 2022 numbers and our counts of active owners were reduced by one as of December 31, 2022 on account of the transferor leaving the system which we reflected in the Ceased Operations Other Reasons category in Table No. 3 below. The transferee franchise agreement is accounted for in Table No. 5 below (as signed but unopened) as well.

**TABLE NO. 3**

<b>Status of Franchised Outlets For Years 2020 to 2022</b>								
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations Other Reasons</b>	<b>Outlets at End of Year</b>
Alabama	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Arizona	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Arkansas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
California*	2020	11	0	1	0	0	0	10
	2021	10	0	0	0	0	1	9
	2022	9	0	0	0	0	0	9
Colorado	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Connecticut*	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Delaware	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Florida*	2020	9	0	0	0	0	0	9
	2021	9	0	1	0	0	1	7
	2022	7	1	0	0	0	3	5
Georgia*	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Idaho	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

**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 Year
	2022	1	0	0	0	0	0	1
Illinois*	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	2	3
	2022	3	2	0	0	0	1^	4
Indiana	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Iowa	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Kansas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kentucky*	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Louisiana*	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maine	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maryland*	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Massachusetts	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Michigan	20120	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

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

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations Other Reasons</b>	<b>Outlets at End of Year</b>
	2022	1	0	0	0	0	0	1
Minnesota	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Mississippi*	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
Missouri	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Montana	2020	1	0	0	0	0	0	1
	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
Nebraska	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nevada*	2020	2	0	0	0	0	0	2
	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
New Hampshire	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
New Mexico	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New York	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7

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

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations Other Reasons</b>	<b>Outlets at End of Year</b>
	2022	7	0	0	0	0	0	7
North Carolina*	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Ohio*	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Oklahoma	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Oregon	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Pennsylvania*	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
Rhode Island*	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
South Carolina*	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
South Dakota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Tennessee*	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Texas*	2020	11	1	0	0	0	0	12
	2021	12	0	0	0	0	0	12
	2022	12	0	0	0	0	0	12

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 Year
Utah	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Vermont*	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Virginia*	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Washington*	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
West Virginia	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
Wisconsin	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Wyoming	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>Totals</b>	<b>2020</b>	<b>133</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>134</b>
	<b>2021</b>	<b>134</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>127</b>
	<b>2022</b>	<b>127</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>5<sup>^</sup></b>	<b>124</b>

Notes

\* For purposes of this Table No.3, when a Franchise Territory spans more than one state, we have listed the franchise in the state which contains the largest percentage of the Franchise Territory's household count.

<sup>^</sup> One transfer was documented in December 2022, but the new Franchisee was not operational as of December 31, 2022, thus resulting in a temporary reduction in active owners by one which we reflected in the "Cease Operations Other Reasons category. The transferee franchise agreement is accounted for in Table No. 5 below (as signed but unopened) as well.

**TABLE NO. 4**

<b>Status of Company-Owned Outlets* For Years 2020 to 2022</b>							
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Michigan	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>Total</b>	<b>2020</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2021</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2022</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

\* This location is owned and operated by our affiliate, Huntington.

**TABLE NO. 5**

<b>Projected Openings As of December 31, 2022</b>			
State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlet(s) in Next Fiscal Year	Projected New Company-Owned Outlet(s) in the Next Fiscal Year
Illinois	1 <sup>^</sup>	1	0
Massachusetts	1	0	0
<b>Totals</b>	<b>2</b>	<b>5</b>	<b>0</b>

<sup>^</sup> There was a transfer was documented in December 2022, but the new owner was not operational as of December 31, 2022, so we did not count this transfer in Table No. 2 above for 2022 and our counts of active owners were reduced by one as of December 31, 2022, on account of the transferor leaving the system which we reflected in the Ceased Operations Other Reasons category in Table No. 3.

**Contact Information for Franchisees**

1. Contact Information for Current Franchisees.

Exhibit C-1(A) of this disclosure document lists the names, business addresses and business phone numbers of our operating franchisees as of December 31, 2022. Exhibit C-1(B) of this disclosure document lists the names, business addresses and business phone numbers of company-owned locations as of December 31, 2022.



## 2. Contact Information for Former Franchisees.

Exhibit C-2 lists the name, city and state, and business telephone number (or, if unknown, the last known telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

### **Confidentiality Agreements**

Some franchisees have signed confidentiality clauses during the last three fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak only about their experience with CRDN. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

### **Franchisee Associations**

CRDN is unaware of any trademark and/or CRDN specific franchisee associations.

## **ITEM 21.** **FINANCIAL STATEMENTS**

Exhibit A to this disclosure document contains our audited financial statements for the fiscal years of 2020, 2021, and 2022 as well as unaudited financial statements for January 1, 2023 through February 28, 2023. Our fiscal year end is December 31.

## **ITEM 22.** **CONTRACTS**

The following form agreements are attached as exhibits to this disclosure document:

1. Form of Franchise Agreement (Exhibit B of the disclosure document)
  - a. Franchise Territory (Exhibit A of the Franchise Agreement)
  - b. Promissory Note (Exhibit 2A to the Franchise Agreement)
  - c. Initial Package (Exhibit B of the Franchise Agreement)
  - d. Software License Agreement (Exhibit C of the Franchise Agreement)
  - e. Telephone Listing Agreement (Exhibit D of the Franchise Agreement)
  - f. Intentionally Omitted
  - g. Business Organization (Exhibit F of the Franchise Agreement)
  - h. Guaranty (Exhibit G of the Franchise Agreement)
  - i. State Addendum (Exhibit H of the Franchise Agreement)
2. Form of Electronic Funds Transfer Authorization (Exhibit D of the disclosure document)
3. Form of Release Agreement (Exhibit I of the disclosure document)
4. Form of Confidentiality, Non-solicitation and Non-competition Agreement (for Franchisee Employees) (Exhibit J of the disclosure document)

**ITEM 23.**  
**RECEIPTS**

See Exhibit K of this disclosure document for detachable receipts.

**EXHIBIT A. TO THE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

**Certified Restoration Drycleaning  
Network, L.L.C.**

**Financial Statements**

**December 31, 2022, 2021 and 2020**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Basic Financial Statements	
Balance Sheet	3
Statement of Earnings and Members' Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	8



800.968.0010 | YEOANDYEO.COM

## Independent Auditors' Report

Management and Members  
Certified Restoration Drycleaning Network, L.L.C.  
Berkley, Michigan

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Certified Restoration Drycleaning Network, L.L.C. (the Company), which comprise the balance sheet as of December 31, 2022, 2021 and 2020, and the related statements of earnings and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 audit opinion.

#### Adoption of New Accounting Standard

As described in Note 1 to the financial statements, the Company changed its method of accounting for leases as required by the provisions of FASB Accounting Standards Updates relating to FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

#### 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### Auditors' 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 auditors' 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, including omissions, 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.
- 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 the Company'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 the Company'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.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
April 28, 2023

# Certified Restoration Drycleaning Network, L.L.C.

## Balance Sheet

December 31, 2022, 2021, and 2020

	2022	2021	2020
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 774,054	\$ 662,198	\$ 598,771
Accounts and royalty fees receivable (net)	1,330,203	1,283,179	1,143,755
Current portion of related party receivable	104,035	34,764	281,715
Current portion of notes receivable	333,111	166,813	212,603
Prepaid expenses and other current assets	199,968	314,443	264,757
Inventory	34,450	43,669	42,626
Total current assets	2,775,821	2,505,066	2,544,227
Leasehold improvements and equipment (net)	382,869	217,618	238,841
Right of use assets - operating lease (net)	103,322	-	-
Other assets			
Intangible assets - software licenses	-	-	7,374
Noncurrent portion of notes receivable	130,752	-	5,738
Related party receivable, net of current portion	-	102,277	102,321
Total other assets	130,752	102,277	115,433
<b>Total assets</b>	<b>\$ 3,392,764</b>	<b>\$ 2,824,961</b>	<b>\$ 2,898,501</b>

See Accompanying Notes to the Financial Statements



# Certified Restoration Drycleaning Network, L.L.C.

## Balance Sheet

December 31, 2022, 2021, and 2020

	2022	2021	2020
<b>Liabilities and Members' Equity</b>			
Current liabilities			
Accounts payable			
Trade	\$ 186,880	\$ 221,478	\$ 196,566
Other	74,559	108,839	30,052
Line of credit	500,000	250,000	-
Franchisee insurance company collections	596,659	459,031	497,746
Current portion of deferred revenue	261,713	421,381	361,923
Accrued expenses	177,667	181,018	201,623
Operating lease obligation, current portion	39,356	-	-
Current portion of related party payable	17,500	-	-
Current portion of notes and loans payable	-	11,870	266,437
Current portion of member payable	-	110,000	110,000
Total current liabilities	1,854,334	1,763,617	1,664,347
Long-term liabilities			
Non-current portion of operating lease obligation	52,499	-	-
Non-current portion of deferred revenue	1,033,652	1,063,042	1,146,561
Non-current portion of notes and loans payable	-	-	456,345
Total long-term liabilities	1,086,151	1,063,042	1,602,906
Total liabilities	2,940,485	2,826,659	3,267,253
Members' equity (deficit)	452,279	(1,698)	(368,752)
<b>Total liabilities and members' equity (deficit)</b>	<b>\$ 3,392,764</b>	<b>\$ 2,824,961</b>	<b>\$ 2,898,501</b>

See Accompanying Notes to the Financial Statements

**Certified Restoration Drycleaning Network, L.L.C.**  
**Statement of Earnings and Members' Equity**  
**For the Years Ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>	<b>\$ 12,607,663</b>	<b>\$ 11,089,243</b>	<b>\$ 10,012,359</b>
<b>Costs and expenses</b>	<b><u>8,156,383</u></b>	<b><u>7,785,647</u></b>	<b><u>7,213,596</u></b>
Net income	<b>4,451,280</b>	3,303,596	2,798,763
Members' equity (deficit) - beginning	<b>(1,698)</b>	(368,752)	(673,152)
<b>Contributions from members</b>	<b>302,700</b>	184,000	-
<b>Distributions to members</b>	<b><u>(4,300,003)</u></b>	<b><u>(3,120,542)</u></b>	<b><u>(2,494,363)</u></b>
<b>Members' equity (deficit) - ending</b>	<b><u>\$ 452,279</u></b>	<b><u>\$ (1,698)</u></b>	<b><u>\$ (368,752)</u></b>

See Accompanying Notes to the Financial Statements

**Certified Restoration Drycleaning Network, L.L.C.**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 12,057,582	\$ 10,392,115	\$ 9,849,241
Cash paid to suppliers and employees	(7,909,106)	(7,700,522)	(7,406,776)
Interest received	16,949	16,834	6,502
Interest paid	(5,032)	(24,855)	(22,605)
Net cash provided by operating activities	<u>4,160,393</u>	<u>2,683,572</u>	<u>2,426,362</u>
<b>Cash flows from investing activities</b>			
Acquisition of equipment	<u>(229,870)</u>	<u>(38,023)</u>	<u>(32,605)</u>
<b>Cash flows from financing activities</b>			
Net proceeds (repayment) on line of credit	250,000	250,000	(729,000)
Repayments on capital lease payable	-	-	(8,876)
Proceeds from notes payable	-	-	568,337
Repayments on notes payable	(11,870)	(142,575)	(148,333)
Repayment of member payable	(110,000)	-	-
Decrease (increase) in related party receivable	33,006	246,995	54,151
Increase (decrease) in related party payable	17,500	-	-
Contributions from members	302,700	184,000	-
Distributions to members	(4,300,003)	(3,120,542)	(2,494,363)
Net cash used by financing activities	<u>(3,818,667)</u>	<u>(2,582,122)</u>	<u>(2,758,084)</u>
Change in cash	111,856	63,427	(396,502)
Cash - beginning	<u>662,198</u>	<u>598,771</u>	<u>995,273</u>
<b>Cash - ending</b>	<u>\$ 774,054</u>	<u>\$ 662,198</u>	<u>\$ 598,771</u>
<b>Supplemental schedule of non-cash investing and financing activities</b>			
Equipment acquired through operating leases	<u>\$ 62,720</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

**Certified Restoration Drycleaning Network, L.L.C.**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>			
Net income	<b>\$ 4,451,280</b>	<b>\$ 3,303,596</b>	<b>\$ 2,798,763</b>
Items not requiring cash			
Depreciation and amortization	<b>64,619</b>	66,620	92,134
Bad debt expense	<b>21,359</b>	37,261	29,905
Gain on extinguishment of debt - PPP loan	-	(568,337)	-
Changes in operating assets and liabilities			
Accounts and royalty fees receivable	<b>(68,383)</b>	(176,685)	(86,376)
Notes receivable	<b>(297,050)</b>	51,528	(172,170)
Prepaid expenses and other current assets	<b>114,475</b>	(49,686)	(93,448)
Inventory	<b>9,219</b>	(1,043)	(18,294)
Operating lease assets and liabilities	<b>(11,467)</b>	-	-
Accounts payable			
Trade	<b>(34,598)</b>	24,912	(46,422)
Other	<b>(34,280)</b>	78,787	(75,713)
Franchisee insurance company collections	<b>137,628</b>	(38,715)	(132,679)
Deferred revenue	<b>(189,058)</b>	(24,061)	72,025
Accrued expenses	<b>(3,351)</b>	(20,605)	58,637
Total adjustments	<b>(290,887)</b>	(620,024)	(372,401)
Net cash provided by operating activities	<b>\$ 4,160,393</b>	<b>\$ 2,683,572</b>	<b>\$ 2,426,362</b>

See Accompanying Notes to the Financial Statements

**Certified Restoration Drycleaning Network, L.L.C.**  
**Notes to the Financial Statements**  
**December 31, 2022, 2021 and 2020**

---

**Note 1 – Nature of Business and Significant Accounting Policies**

**Nature of Business**

Certified Restoration Drycleaning Network, L.L.C. (the Company) is a limited liability company organized under the laws of the State of Michigan. The Company is principally engaged in the sale and support of franchises that restore clothing, soft goods, home décor items and electronics damaged in insured casualties throughout the United States.

Franchises in operation in the United States were as follows at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning of year franchises	128	135	134
Franchises sold	3	-	3
Franchises purchased or terminated	<u>(6)</u>	<u>(7)</u>	<u>(2)</u>
End of year franchises	<u>125</u>	<u>128</u>	<u>135</u>

**Basis of Accounting**

The Company's financial statements are prepared on the accrual basis of accounting.

**Reclassification**

Certain amounts in the 2021 and 2020 financial statements have been reclassified to conform to the 2022 presentation. Members' equity and changes in members' equity are unchanged due to these reclassifications.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalent. Bank balances amount to \$828,900 at December 31, 2022 with \$328,900 being uninsured by the Federal Deposit Insurance Corporation (FDIC).

**Accounts and Royalty Fees Receivable**

Accounts receivable are carried at customer invoice amounts. Royalty fees receivable are recognized when franchisees enter the payments they have received for their services in the software provided by the Company. Accounts and royalty fees receivable are reviewed monthly and based upon collection information and existing economic conditions, delinquent receivables are written-off in the period that determination is made. An allowance of \$22,781, \$37,261, and \$52,377 was recorded at December 31, 2022, 2021 and 2020, respectively.

**Inventory**

Inventories are stated at cost, which approximates fair market value, using the first-in, first-out method. Inventory consists of supplies and electronic carts and related parts sold to franchisees.

**Leasehold Improvements and Equipment**

It is the Company's policy to capitalize leasehold improvements and equipment over \$2,000 with the exception of computer equipment. Depreciation is provided on the straight-line and accelerated methods over the estimated useful lives of the assets ranging from three to thirty-nine years.

**Intangible Assets**

The Company entered into an agreement for software licenses during fiscal year 2020. This resulted in an intangible asset for the software licenses acquired. The intangible asset was fully amortized as of December 31, 2021.

# **Certified Restoration Drycleaning Network, L.L.C.**

## **Notes to the Financial Statements**

**December 31, 2022, 2021 and 2020**

---

### **Leases**

The Company leases a copier and a vehicle. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Operating leases are contracts that allow for the use of the underlying asset but there is no ownership transfer at the end of the lease.

Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Company has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Company has applied the risk-free rate option to the copier and vehicle classes of assets.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Franchisee fees are deferred to the applicable period in which the performance obligations are met. Royalty fee income is recognized in the period when earned.

### **Advertising Costs**

Advertising and sales promotion costs are expensed as incurred.

### **Income Taxes**

The Company is treated as a partnership for Federal income tax purposes. Consequently, Federal income taxes are not payable by, or provided for the Company. Members are taxed individually on their respective shares of the Company's net earnings. The Company's net revenue is allocated based upon the members' ownership percentages after allowing for members guaranteed payments.

### **Long-Lived Assets**

The Company evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America. There was no impairment at December 31, 2022.

### **Paycheck Protection Program (PPP) Loan**

The Company accounts for the PPP Loan as a financial liability in accordance with FASB ASC 470 Debt. The PPP Loan was fully forgiven during fiscal year 2021 and the Company has recognized the amount as revenue in that fiscal year.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Certified Restoration Drycleaning Network, L.L.C.**  
**Notes to the Financial Statements**  
**December 31, 2022, 2021 and 2020**

---

**Date of Management’s Review**

The Company has evaluated subsequent events through April 28, 2023, the date which the financial statements were available to be issued.

**Change of Accounting Principle**

The Company adopted FASB Topic 842, *Leases*, as of the beginning of the year ended December 31, 2022. This has been adopted using the modified retrospective approach, which restates the balances as of the date of adoption.

The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain.

**Note 2 – Franchising**

In general, the Company’s franchise agreements provide for the payment of an initial franchise fee (a fixed licensing fee, variable territory fee and initial package fee); initial license fees for optional services – electronics, art and full-service contents service; royalty and annual fees; and other fees. Subject to approval and payment of renewal fee, a franchisee may generally renew its agreement upon expiration.

Services provided by the Company include training franchisees; ordering start-up supplies and materials for new franchisees; assisting franchisees with their sales efforts and overall operation; supporting the company-developed software (xRM and CRM); assisting franchisees with data processing for program jobs; and promoting the brand.

Revenue consists of the following for the years ending December 31:

	2022	2021	2020
Initial and renewal franchising fees	\$ 560,424	\$ 450,792	\$ 341,805
Continuing fees	11,786,422	9,937,174	9,634,958
Other	260,817	701,277	35,596
Total revenue	<u>\$ 12,607,663</u>	<u>\$ 11,089,243</u>	<u>\$ 10,012,359</u>

**Note 3 – Leasehold Improvements and Equipment**

The principal categories of leasehold improvements and equipment may be summarized as follows at December 31:

	2022	2021	2020
Computer equipment	\$ 1,364,305	\$ 1,167,088	\$ 1,143,603
Furniture and fixtures	682,472	665,809	651,271
Leasehold improvements	328,301	312,311	312,311
Vehicles	58,597	58,597	58,597
CRM software	143,675	143,675	143,675
Total cost	<u>2,577,350</u>	<u>2,347,480</u>	<u>2,309,457</u>
Less accumulated depreciation	<u>(2,194,481)</u>	<u>(2,129,862)</u>	<u>(2,070,616)</u>
Leasehold improvements and equipment (net)	<u>\$ 382,869</u>	<u>\$ 217,618</u>	<u>\$ 238,841</u>
Depreciation expense	<u>\$ 64,619</u>	<u>\$ 59,246</u>	<u>\$ 70,012</u>

**Certified Restoration Drycleaning Network, L.L.C.**  
**Notes to the Financial Statements**  
**December 31, 2022, 2021 and 2020**

**Note 4 – Notes Receivable**

Notes receivable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Notes receivable from franchisees, varying interest rates with varying payment terms, unsecured, maturing through 2024 less current portion	\$ 463,863	\$ 166,813	\$ 218,341
	<u>(333,111)</u>	<u>(166,813)</u>	<u>(212,603)</u>
Total notes receivable reflected as long-term	<u>\$ 130,752</u>	<u>\$ -</u>	<u>\$ 5,738</u>

Amounts are expected to be collected as follows:

<u>Year Ending December 31,</u>	
2023	\$ 333,111
2024	<u>130,752</u>
	<u>\$ 463,863</u>

**Note 5 – Notes, Loans and Member Payable**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Note payable to a bank, dated November 3, 2015, for the original amount of \$890,000. Payable in monthly installments of \$12,361, plus interest at 0.5% above the index rate. Interest rate at December 31, 2021 was 3.75%. Secured by Members' personal guarantee, and all assets of the Company. Original maturity of November 5, 2021, extended to January 5, 2022.	\$ -	\$ 11,870	\$ 154,445
Paycheck Protection Program (PPP) loan payable to a bank, dated April 18, 2020 for the original amount of \$568,337. Payable in monthly installments of \$24,219, including interest at 1% per annum. Secured by Member's personal guarantee and all assets of the Company. Matures August 3, 2023.	<u>-</u>	<u>-</u>	<u>568,337</u>
Less current portion	<u>-</u>	<u>11,870</u>	<u>266,437</u>
Long-term debt net of current portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,345</u>
Member note payable, no specified repayment terms, interest at 0%, unsecured.	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>

The bank note payable is subject to debt service coverage and leverage financial ratio covenants. As of December 31, 2022, the Company has paid off the bank note in full therefore compliance with debt covenants related to this note are no longer a consideration.

During the fiscal year 2020, the Company received a Paycheck Protection Program (PPP) Loan of \$568,337 funded by the Federal government through the Small Business Administration. The PPP loan and any accrued interest are forgivable after twenty-four weeks as long as the borrower meets certain criteria. The loan proceeds must be used for eligible purposes, including payroll, health insurance, retirement plans, state and local taxes assessed on employee compensation, mortgage interest, rent, and utilities. The criteria also reduces loan forgiveness for certain reductions in salaries or reductions in FTEs. When final forgiveness, if any, is determined, a gain on extinguishment of debt will be realized for any forgiven amounts. There is a deferral of payments until loan forgiveness is determined or 10 months after the last day of the covered period, whichever occurs first. The loan was fully forgiven as of December 31, 2021, therefore, \$568,337 is recorded in revenues as gain on debt extinguishment in fiscal year 2021.

The member note payable was paid in full in January of 2022.



**Certified Restoration Drycleaning Network, L.L.C.**  
**Notes to the Financial Statements**  
**December 31, 2022, 2021 and 2020**

**Note 6 – Line of Credit**

	2022	2021	2020
Line of credit with bank, interest at index rate plus 1.00% with a minimum of 4.25%, maximum borrowing limit \$1,500,000 and interest rate of 8.50% at December 31, 2022, secured by all Company assets and members' personal guarantee. Matures June 5, 2023.	<u>\$ 500,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>

The line of credit is subject to financial ratio covenants. As of December 31, 2022, the Company is in full compliance with the covenants.

**Note 7 – Leases**

The Company leases a copier and a vehicle at various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2025 and do not provide for renewal options.

Total lease costs are as follows for the year ended December 31:

	2022
Operating lease cost	<u>\$ 29,113</u>

The following table summarizes the supplemental cash flow information for the year ended December 31:

	2022
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	<u>\$ 28,119</u>

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

Weighted-average remaining lease term in years:	
Operating leases	2.4
Weighted-average discount rate:	
Operating leases	1.75%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

Year Ending December 31,	
2023	\$ 40,623
2024	40,623
2025	12,503
	93,749
Less: interest	(1,894)
Present value of lease liabilities	91,855
Less: current portion	(39,356)
Non-current portion of operating lease obligation	<u>\$ 52,499</u>

**Certified Restoration Drycleaning Network, L.L.C.**  
**Notes to the Financial Statements**  
**December 31, 2022, 2021 and 2020**

The Company has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. The Company's short-term lease costs, all from related party agreements, are as follows:

Description	2022	2021	2020
Office facilities in Berkley, Michigan	\$ 288,000	\$ 288,000	\$ 210,524
Housing facilities in Oak Park, Michigan	12,000	12,000	12,000
Housing facilities in Berkley, Michigan	25,925	20,400	25,500
Housing facilities in Boyne City, Michigan	-	48,000	48,000
	<u>\$ 325,925</u>	<u>\$ 368,400</u>	<u>\$ 296,024</u>

**Note 8 – Related Party Transactions**

The Company has advanced funds to affiliated entities with similar ownership and received funds from affiliated entities with similar ownership. The Company has also charged affiliated entities for services that it provided for them. Balances due from these entities as of December 31, 2022, 2021, and 2020 amounted to \$104,035, \$137,041 and \$384,036, respectively. Balances due to these entities as of December 31, 2022, 2021, and 2020 amounted to \$17,500, \$0, and \$0, respectively. The balances have been split between current and long-term on the balance sheet.

Note 7 details the short-term leasing activity between the Company and the following related parties: Equity Holding Co, LLC, WJ Ventures LLC and Walloon Woods LLC. Equity Holding Co, LLC is owned by the members of the Company. WJ Ventures LLC and Walloon Woods LLC are partially owned by one member of the Company.

**Note 9 – Revenue from Contracts with Customers**

The following summarizes revenue by type for the years ended December 31:

	2022	2021	2020
Revenue from contracts with customers	\$ 12,346,846	\$ 10,387,966	\$ 9,976,763
Other revenue	260,817	701,277	35,596
Total revenue	<u>\$ 12,607,663</u>	<u>\$ 11,089,243</u>	<u>\$ 10,012,359</u>

The revenue from contracts with customers for the years ended December 31 consists of:

	2022	2021	2020
Revenue earned at a point in time	\$ 11,893,745	\$ 10,096,842	\$ 9,634,958
Revenue earned over time	453,101	291,124	341,805
Total revenue from contracts with customers	<u>\$ 12,346,846</u>	<u>\$ 10,387,966</u>	<u>\$ 9,976,763</u>

Revenue earned over time consists of initial franchise fees, electronic license fees, art license fees, full-service contents license fees, and renewal fees. Initial franchise fees consist of the franchise license fee, the territory fee, and the initial supplies package fee. Each franchise agreement is effective for ten years from the date the agreement is signed. Therefore, the initial franchise fees are deferred and recognized over the ten-year period of the agreement. The franchise agreement clearly assigns values to each of the components of initial franchise fees. The electronics, art and contents fees are comprised of separate ten-year franchise agreements that includes the license for the franchisee to restore electronics, art and contents, as well as the

**Certified Restoration Drycleaning Network, L.L.C.**  
**Notes to the Financial Statements**  
**December 31, 2022, 2021 and 2020**

---

restoration carts, training, and supplies. The revenues from the electronic, art, and contents licenses are recognized over the ten-year agreements, whereas the carts, training and supplies are recognized when training is complete, which is within the year the agreements are signed. Finally, renewal fees are the fees paid to extend the original franchise agreement another ten years. This consists only of the license fee component of the initial franchise fees. Revenue is recognized over the new ten-year period.

Revenue earned at a point in time consists of the cart, training and supplies component of the initial franchise fee described above, as well as continuing fees that include royalties, annual fees, training fees, and promotional fees. These fees are paid on an ongoing basis and are paid based on need (training, troubleshooting, etc.) or weekly sales (royalties and promotional fees). Annual fees are paid at the beginning of the subsequent year; therefore, all annual fees are considered earned and recognized at the end of each fiscal year. Transfer fees are fees paid if a franchisee purchases an existing franchise currently being operated by another franchisee. Transfer assistance fees are fees paid by the franchisee for the Company to assist in the transfer of a franchise. Both transfer and transfer fees are recognized at the point in time when the transfer actually occurs.

The following summarizes contract assets and contract liabilities as of:

	January 1, 2020	December 31, 2020	December 31, 2021	December 31, 2022
Accounts receivable	\$ 1,133,455	\$ 1,362,096	\$ 1,449,992	\$ 1,794,066
Deferred revenue	1,436,459	1,508,484	1,484,423	1,295,365

Bad debt expense for the years ended December 31, 2022, 2021, and 2020 was \$21,359, \$37,261, and \$29,905, respectively. An allowance has been established for franchise fees that management has deemed to be likely uncollectible. This allowance is evaluated annually and those that are deemed uncollectible are written off to bad debt expense.

**Note 10 – Advertising**

The Company maintains a fund for marketing, promotion, cross-promotion and public relations on behalf of the franchisees. Amounts expended through the fund for the years ended December 31, 2022, 2021 and 2020 amounted to \$1,151,988, \$1,207,723, and \$905,457, respectively.

**Note 11 – Retirement Plan**

The Company maintains a contributory profit-sharing plan as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees. The Company contributes to this plan at a rate of 25% of the employees' contributions up to a maximum of 1% of employee compensation. In addition, an employee becomes 100% vested with respect to the employer contributions after completing six years of service. Employer contributions during the years ended December 31, 2022, 2021 and 2020 amounted to \$21,462, \$18,459, and \$15,408, respectively.

**Note 12 – Contingency**

In the normal course of operations, there may be outstanding contingent liabilities such as lawsuits, etc., which are not reflected in the accompanying financial statements. The Company's management is of the opinion that insurance coverage is adequate to cover any potential losses. No such liabilities have been asserted; therefore, no estimation of loss has been made.

**Certified Restoration Drycleaning Network LLC**  
**Balance Sheet**  
As of February 28, 2023

<b>ASSETS</b>	
Current Assets	2,540,460
Fixed Assets	458,759
<b>TOTAL ASSETS</b>	<b><u>2,999,218</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	172,998
Credit Cards	56,400
Other Current Liabilities	2,392,388
<b>Total Current Liabilities</b>	<b><u>2,621,786</u></b>
Long Term Liabilities	85,344
<b>Total Liabilities</b>	<b><u>2,707,130</u></b>
Equity	292,089
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>2,999,218</u></b>

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

**Certified Restoration Drycleaning Network LLC**  
**Statement of Earnings and Members' Equity**  
January through February 2023

<b>Ordinary Income/Expense</b>	
Income	1,910,632
<b>Gross Profit</b>	<b>1,910,632</b>
<b>Expense</b>	
6-1000 · Franchise Development Expenses	22,407
6-2000 · Legal Administration Expenses	76,286
6-3000 · Training Expenses	57,330
6-4000 · Operations & Support Expenses	50,806
6-4200 · Electronics Expenses	32,056
6-4500 · Program Management Expenses	94,799
6-4700 · Contents	64,862
6-5000 · Marketing & Communication Exp	3,591
6-5500 · Sales Department Expenses	27,781
6-6000 · Accounting Expenses	72,080
6-7000 · Information Technology Expenses	219,626
6-8000 · General & Administrative Exp	269,592
6-9000 · Other Expenses	29,896
6-9400 · CRM Expenses	2,010
<b>Total Expense</b>	<b>1,023,122</b>
<b>Net Ordinary Income</b>	<b>887,509</b>
<b>Other Income/Expense</b>	
Other Income	236,740
Other Expense	195,548
<b>Net Other Income</b>	<b>41,192</b>
<b>Net Income</b>	<b>928,701</b>
<b>Members' Equity (deficit) - beginning, as restated</b>	452,278
<b>Contributions from Members</b>	0
<b>Distributions to Members</b>	-1,088,890
<b>Members' Equity (deficit) - ending</b>	<b>292,089</b>

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

**Certified Restoration Drycleaning Network, LLC**  
**Statement of Cash Flows**  
**For the Month and Four Months Ended April 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income	\$	928,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		25,051
(Increase) decrease in assets:		
Accounts Receivable - Trade		(89,095)
Accounts Receivable - Minimum Royalties		25,391
Annual Fees Receivable		714,500
Accounts Receivable - Other		(122,442)
Royalties Receivable		(32,805)
Promotional Fund Receivable		(5,842)
Notes Receivable - Franchisees		(23,274)
Notes Receivable - Electronics		(7,467)
Notes Receivable - Art		5,492
Notes Receivable - Contents		9,659
Prepaid Expenses		(58,132)
Operating Lease Assets & Liabilities		730
Increase (decrease) in liabilities:		
Accounts Payable		(31,381)
Fifth Third Credit Card		9,906
Accounts Payable - Other		36,424
Insurance Company Receipts Payable to Franchisees		246,727
Rebates Due to AllState		(182,384)
Payroll Liabilities		(1,680)
Deferred Revenue - Revenue Recognition		1,223
Deferred Revenue - Other		167,139
Accrued Wages & Payroll Taxes		2,926
Accrued Bonuses		(136,022)
Initial Package Holding		24,468
Initial Package Holding Electronics		13,000
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<u>1,481,530</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisitions of Equipment		(4,861)
Acquisitions of Leasehold Improvements		-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		<u>(4,861)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Member Contributions		-
Member Distributions		(1,088,890)
Principal Payments on Line of Credit		(375,000)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		<u>(1,463,890)</u>

**NET INCREASE IN CASH** 12,779

**BEGINNING CASH** 774,054

**ENDING CASH** \$ 786,833

**SUPPLEMENTAL CASH FLOWS DISCLOSURES**

Cash paid during the period for:		
Interest	\$	<u>7,250</u>

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

**EXHIBIT B. TO THE DISCLOSURE DOCUMENT**

**FORM OF FRANCHISE AGREEMENT**

## TABLE OF CONTENTS

<b>ARTICLE 1: FRANCHISE SYSTEM .....</b>	<b>7</b>
1.1 <i>Grant of Franchise.</i> .....	7
1.2 <i>Operations Manual.</i> .....	7
1.3 <i>Tradenname and Logos.</i> .....	7
1.4 <i>Optional Programs</i> .....	9
1.5 <i>Regional/National Programs.</i> .....	10
1.6 <i>Rights Reserved by CRDN</i> .....	13
<b>ARTICLE 2: FEES AND OTHER MONETARY REQUIREMENTS.....</b>	<b>14</b>
2.1 <i>Initial Franchise Fee</i> .....	14
2.2 <i>Initial Franchise Fees Non-Refundable.</i> .....	15
2.3 <i>Annual Fixed Fee and Royalty</i> .....	15
2.4 <i>Late Payment Fee and Interest.</i> .....	17
2.5 <i>Definition of Gross Sales.</i> .....	18
2.6 <i>Requirement to Achieve a Minimum Level of Gross Sales.</i> .....	18
2.7 <i>Marketing, Advertising, and Promotion</i> .....	19
2.8 <i>Telephone, Job Referrals and Call-Center</i> .....	20
2.9 <i>Regional/National Marketing, Advertising and Promotion Fund.</i> .....	21
2.10 <i>Franchise Management System, Software Licensing Agreement and Fees</i> .....	22
2.11 <i>Outstanding Royalties and Fees of Predecessor.</i> .....	27
2.12 <i>Fees Non-Refundable.</i> .....	28
2.13 <i>Fees for Optional Programs.</i> .....	28
2.14 <i>Fee Adjustments for Underpayment.</i> .....	28
2.15 <i>Shipping and Taxes.</i> .....	28
2.16 <i>Failure to Pay as Ground for Termination.</i> .....	29
2.17 <i>Additional Penalty for Failure to Timely Pay Fees.</i> .....	29
<b>ARTICLE 3: TERRITORY.....</b>	<b>29</b>
3.1 <i>Franchise Territory Defined.</i> .....	29
3.2 <i>Location of Customers.</i> .....	30
3.3 <i>Establishment and Location of Franchised Business Facilities.</i> .....	31
3.4 <i>Other Facilities within Franchise Territory.</i> .....	31
3.5 <i>Leased Facilities.</i> .....	31



3.6	<i>Limitation on Franchise Territory</i> .....	32
<b>ARTICLE 4: TERM AND RENEWAL OF FRANCHISE</b> .....		<b>33</b>
4.1	<i>Term</i> .....	33
4.2	<i>Renewal</i> .....	33
4.3	<i>CRDN's Refusal to Award Successor Term</i> .....	33
4.4	<i>Successor Term Fee</i> .....	34
<b>ARTICLE 5: OPERATIONAL OBLIGATIONS</b> .....		<b>34</b>
5.1	<i>Commencement of Operations</i> .....	34
5.2	<i>Operational Corporate Structure</i> .....	35
5.3	<i>DBA</i> .....	35
5.4	<i>Services and Prices Offered</i> .....	36
5.5	<i>Operation of Franchised Business and Compliance with Operations Manual</i> .....	37
5.6	<i>Name Change upon Termination</i> .....	37
5.7	<i>Reports; Financial Statements; Records</i> .....	37
5.8	<i>Right to Inspect</i> .....	38
5.9	<i>Right to Audit</i> .....	38
5.10	<i>Copies of Books and Records</i> .....	39
5.11	<i>Compliance with Law</i> .....	39
5.12	<i>Quality Surveys</i> .....	39
5.13	<i>Brand Identity Program</i> .....	40
5.14	<i>System Standards</i> .....	40
5.15	<i>Supplier Arrangements</i> .....	40
<b>ARTICLE 6: RELATIONSHIP OF PARTIES/INDEMNIFICATION</b> .....		<b>40</b>
6.1	<i>Independent Contractor Status</i> .....	40
6.2	<i>No Liability for Acts of Other Party</i> .....	41
6.3	<i>Indemnification</i> .....	41
<b>ARTICLE 7: TRAINING PROGRAM</b> .....		<b>41</b>
7.1	<i>Training Obligation</i> .....	41
7.2	<i>Additional Trainees</i> .....	42
7.3	<i>Rescission</i> .....	42
7.4	<i>Ongoing Training and Meeting Obligations</i> .....	42
7.5	<i>Additional Training</i> .....	43

7.6	<i>Recertification Training</i> .....	43
7.7	<i>Post Training On-Site Consultation</i> .....	43
7.8	<i>Optional Program Training</i> .....	43
7.9	<i>Delegation of Performance</i> .....	43
7.10	<i>Designated Representative</i> .....	43
<b>ARTICLE 8: OPERATIONS MANUAL</b> .....		<b>44</b>
8.1	<i>Operations Manual</i> .....	44
8.2	<i>Security of the Operations Manuals</i> .....	44
<b>ARTICLE 9: CONFIDENTIAL AND PROPRIETARY INFORMATION</b> .....		<b>45</b>
9.1	<i>Confidential Information</i> .....	45
9.2	<i>Ownership and Use of Confidential Information, Specifically Customer Lists</i> .....	45
9.3	<i>Franchisee's Obligations Regarding Confidential Information</i> .....	46
9.4	<i>Non-Disclosure</i> .....	46
9.5	<i>Return and Destruction of Confidential Information</i> .....	47
<b>ARTICLE 10: COVENANTS DURING THE TERM</b> .....		<b>47</b>
10.1	<i>Non-Solicitation and Non-Competition</i> .....	47
10.2	<i>For Your Employees</i> .....	48
10.3	<i>Fairness and Reasonableness</i> .....	48
10.4	<i>Enforcement of Non-Competition Covenants</i> .....	48
10.5	<i>Independence of Covenants</i> .....	49
10.6	<i>Modification of Covenants</i> .....	49
10.7	<i>No Defense</i> .....	49
10.8	<i>Additional Covenants</i> .....	49
10.9	<i>Failure to Obtain Covenants</i> .....	49
<b>ARTICLE 11: SYSTEM STANDARDS</b> .....		<b>49</b>
11.1	<i>Compliance with System Standards</i> .....	49
11.2	<i>Modification of System Standards</i> .....	51
11.3	<i>Insurance</i> .....	52
11.4	<i>Taxes and Advances</i> .....	54
<b>ARTICLE 12: TRANSFER</b> .....		<b>54</b>
12.1	<i>By CRDN</i> .....	54

12.2	<i>By Franchisee.</i>	54
12.3	<i>Conditions to Transfer.</i>	55
12.4	<i>Minority Transfers.</i>	57
12.5	<i>CRDN's Marketing of Your Franchised Business</i>	58
12.6	<i>Security Interest.</i>	58
12.7	<i>Conditions.</i>	58
12.8	<i>CRDN's Right of First Refusal.</i>	58
12.9	<i>Transfer upon Death or Permanent Incapacity.</i>	59
12.10	<i>Non-Waiver of Claims.</i>	59
12.11	<i>No Release of Franchisee's Liability.</i>	59
12.12	<i>Review of Information; No Guarantee of Success</i>	59
12.13	<i>Involuntary Transfer.</i>	60
<b>ARTICLE 13: TERMINATION OF THIS AGREEMENT</b>		<b>60</b>
13.1	<i>Termination by Franchisee.</i>	60
13.2	<i>Termination by CRDN.</i>	60
<b>ARTICLE 14: POST TERMINATION OBLIGATIONS</b>		<b>63</b>
14.1	<i>Obligations of Franchisee</i>	63
14.2	<i>Covenant Not to Compete.</i>	65
<b>ARTICLE 15: DISPUTE RESOLUTION</b>		<b>67</b>
15.1	<i>Mediation.</i>	67
15.2	<i>Arbitration.</i>	67
15.3	<i>Injunctive Relief.</i>	68
15.4	<i>Limitation of Remedies and Class Proceedings.</i>	68
15.5	<i>Costs and Attorney's Fees.</i>	68
<b>ARTICLE 16: APPROVALS AND WAIVERS</b>		<b>69</b>
16.1	<i>Written Consent.</i>	69
16.2	<i>No Waiver.</i>	69
<b>ARTICLE 17: NOTICE</b>		<b>69</b>
<b>ARTICLE 18: DISCLOSURE STATEMENT AND DISCLAIMER</b>		<b>70</b>
18.1	<i>Compliance with Applicable Franchising Laws.</i>	70
18.2	<i>Acknowledgement.</i>	71

<b>ARTICLE 19: ENTIRE AGREEMENT .....</b>	<b>71</b>
19.1 <i>Entire Agreement.</i> .....	71
<b>ARTICLE 20: SEVERABILITY AND CONSTRUCTION .....</b>	<b>72</b>
20.1 <i>Severability.</i> .....	72
20.2 <i>No Third Party Rights.</i> .....	72
20.3 <i>Captions.</i> .....	72
20.4 <i>References.</i> .....	72
20.5 <i>Counterparts.</i> .....	72
20.6 <i>Inurement</i> .....	72
20.7 <i>Survival.</i> .....	72
<b>ARTICLE 21: APPLICABLE LAW; VENUE .....</b>	<b>73</b>
21.1 <i>Rights Not Exclusive.</i> .....	73
21.2 <i>Injunctive Relief.</i> .....	73
21.3 <i>Governing Law.</i> .....	73
<b>EXHIBITS</b>	
<i>EXHIBIT A –FRANCHISE TERRITORY</i> .....	75
<i>EXHIBIT 2A –PROMISSORY NOTE</i> .....	77
<i>EXHIBIT B – INITIAL PACKAGE</i> .....	81
<i>EXHIBIT C – SOFTWARE LICENSE AGREEMENT</i> .....	84
<i>EXHIBIT D – TELEPHONE LISTING AGREEMENT</i> .....	89
<i>EXHIBIT E – INTENTIONALLY OMITTED</i>	
<i>EXHIBIT F – BUSINESS ORGANIZATION</i> .....	92
<i>EXHIBIT G – GUARANTY</i> .....	95
<i>EXHIBIT H – STATE ADDENDUM (if applicable).</i> .....	97

## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is effective as of \_\_\_\_\_, by and among CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC, a Michigan limited liability company, with its principal place of business at 2060 Coolidge Highway, Berkley, Michigan 48072 (referred to in this Agreement as "we," "us," "ourselves," "CRDN" and/or "Franchisor"); and the following individual(s), «Principal\_Owner\_1» and «Principal\_Owner\_2» (singly, or collectively if more than one, the "Principal Owner"); and «LLC\_or\_Corp» a «State» «limited liability company/corporation» with its principal address at «Address» ("Franchisee Entity", and together with Principal Owner, referred to in this Agreement as "you," "your" and/or "Franchisee"). Because the obligations of Franchisee Entity and Principal Owner are joint and several under this Agreement, the term "you" "your" and/or "Franchisee" throughout this Agreement shall refer to both Franchisee Entity and Principal Owner, except in those circumstances where the term Principal Owner or Franchisee Entity is specifically used.

### RECITALS

WHEREAS, with respect to the performance of restoration dry cleaning and related services for cleaning smoke, water, and/or odor damaged clothing and other soft goods, from insured casualties ("Textile Restoration Services"), as a result of the expenditure of time, effort and money in research and development, CRDN has acquired experience and knowledge regarding franchising the performance of Textile Restoration Services (the "CRDN Business");

WHEREAS, CRDN has developed certain proprietary systems, methods, procedures, know-how, computer software programs and other associated trade secrets with respect to CRDN's Business (collectively the "Franchise System"), all as more particularly described in the CRDN Operations Manual, including all amendments, restatements, supplements or modifications thereto from time to time (individually and collectively, the "Operations Manual");

WHEREAS, CRDN further identifies the Franchise System by means of certain registered and unregistered trademarks, logos, emblems, and indicia of origin including but not limited to the service mark "Certified Restoration Drycleaning Network®" and our distinctive logo and such other trade names, service marks and trademarks as may be designated now or hereafter by Franchisor, in the Operations Manual, or otherwise in writing, for use in connection with the Franchise System and not thereafter withdrawn; and

WHEREAS, all of the foregoing have a unique, novel and valuable significance to the public, and Franchisee, being cognizant thereof, desires to obtain the commercial benefits of the use of the Franchise System, the name of CRDN and the benefits of the knowledge, experience and reputation of CRDN.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and commitments contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties hereto mutually agree as follows:

## ARTICLE 1: FRANCHISE SYSTEM

1.1 Grant of Franchise. Subject to the terms of this Agreement, CRDN hereby grants Franchisee a license to use the Franchise System to operate a CRDN franchise (the “Franchised Business”) to provide Textile Restoration Services as part of the Franchise System (the “CRDN Services” or the “Franchise Services”) in the Franchise Territory (as defined in Article 3 herein).

1.2 Operations Manual. During the term of this Agreement, CRDN will provide you with a paper or digital copy of the Operations Manual to use in accordance with the provisions of this Agreement, specifically including Article 8 herein.

1.3 Tradename and Logos. CRDN grants to Franchisee, for the term of this Agreement, a non-exclusive license to use the CRDN name and logo in the operation of the Franchise System in accordance with this Agreement and the Operations Manual. Franchisee shall operate exclusively under the CRDN name and logo and shall not use or display any other tradename or service mark without the prior written consent of CRDN. All names and logos owned by CRDN and/or its affiliates and licensed to Franchisee are hereafter referred to as the “Marks.”

1.3.1 Use of Marks. Franchisee shall not use either the Marks or any variation thereof as part of its Franchisee Entity name, the name of any entity formed or created subsequent to the effective date of this Agreement, or for any other purposes save and except in accordance the terms and conditions of this Agreement or as may otherwise be specifically authorized by CRDN in writing, nor shall Franchisee hold out or otherwise employ the Marks to perform any activity, or to incur an obligation or indebtedness in such manner as might make CRDN liable therefor.

1.3.2 Registration of Marks. Franchisee shall not register or attempt to register the Marks in its name or the name of any person, entity or other third party, and shall not take any action which might invalidate the Marks, impair any rights of CRDN in and to such Marks or create any rights adverse to those of CRDN. Moreover, Franchisee shall use the Marks correctly spelled and/or depicted and not as a verb or in the plural or in any other manner which might endanger the validity of the Marks and/or, if registered, their registration. Franchisee shall use the Marks only in the style as may be registered, or if not registered, as prescribed by Franchisor.

1.3.3 Inspection. In order to preserve the validity and integrity of the Marks licensed herein and to assure that Franchisee is properly employing same in the operation of the Franchisee’s Franchised Business, CRDN and its agents shall at all reasonable times have the right to inspect Franchisee’s premises and other sites of Franchisee’s operation within the Franchise Territory and make periodic evaluation of the services provided and the goods sold and used therein. Franchisee shall cooperate with CRDN and its agents in such inspections and render such assistance to CRDN and its agents as they may reasonably request.

1.3.4 Changes to the Marks. CRDN reserves the right, in its sole discretion, to modify, replace, substitute or terminate any of the Marks (collectively, the “Modified Marks”), and Franchisee must implement any Modified Marks as required in this Agreement. All provisions of this Agreement applicable to the Marks shall also apply to any Modified Marks.

1.3.5 Goodwill. Franchisee acknowledges and agrees that use of the Marks, and any goodwill established by this use, will be exclusively for CRDN’s benefit and that this Agreement does not confer any goodwill or other interest in the Marks upon Franchisee other than the right to operate a Franchised Business under this Agreement.

1.3.6 Additional Marks. All provisions of this Agreement applicable to the Marks shall also apply to any additional proprietary trade and service marks and commercial symbols that CRDN authorizes Franchisee to use at any time during the Initial Term and the Successor Term of this Agreement.

1.3.7 Non-Exclusive. The right and license of the Marks awarded to you under this Agreement is non-exclusive, and CRDN may: (a) award other licenses and franchises for the Marks, in addition to those licenses already awarded; or (b) use the Marks in connection with marketing and selling any products and services as CRDN sees fit in its sole and absolute discretion.

1.3.8 Notification of Infringement and Claims. Franchisee shall immediately notify CRDN of any apparent infringement or challenge to its use of any of the Marks or of any claim by any person, entity or third party of any rights in any of the Marks. Franchisee shall not communicate with any person, entity or third party other than CRDN and CRDN's attorneys, and your attorneys, in any such infringement, challenge, or claim. CRDN shall have sole discretion to take any action it deems necessary or appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding ("USPTO Proceeding") or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any of the Marks. CRDN shall indemnify and hold the Franchisee harmless against any loss, damage or expense incurred in connection with any such infringement, challenge or claim; provided however, CRDN's indemnification obligation shall only extend to claims related to Franchisee's use of the Marks in accordance with the terms and conditions of this Agreement and shall not exceed the aggregate amount of the Initial Franchise Fee paid hereunder. Franchisee shall sign any and all instruments and documents, render the assistance and do the acts and things that, in the opinion of CRDN's attorneys, are necessary or advisable to protect and maintain CRDN's interests in any litigation, USPTO Proceeding or other proceeding, and to otherwise protect and maintain CRDN's interest in and to the Marks.

1.3.9 Rights to, and Limitations on, Use of the Marks. Franchisee's right to use the Marks is derived only from this Agreement and is limited to Franchisee's operation of the Franchised Business in accordance and in compliance with this Agreement and all System Standards (as defined in Article 11 herein) CRDN prescribes from time to time during the Initial Term and the Successor Term. Franchisee shall utilize only the Marks that CRDN designates for the Franchised Business and Franchisee shall use them only in the manner CRDN authorizes, including the following:

- (a) Franchisee shall use the Marks to identify the Franchised Business.
- (b) Franchisee agrees to identify itself as the owner of an independent entity in the manner that CRDN prescribes.
- (c) Franchisee promises to affix the Marks upon such vehicles, uniforms, equipment, containers, fixtures, signs, stationery, advertising, sales/promotional materials, and such other objects, in such size, color, lettering style and fashion, and at such places as CRDN may designate in the Operations Manual.
- (d) Franchisee shall not use the Marks, or any words or symbols confusingly similar to the Marks, as part of any corporate or other legal name or with any prefix, suffix, or other modifying words, terms, designs, or symbols without CRDN's prior written

authorization. Franchisee may not use the Marks in connection with the sale of any unauthorized product or service, on an Internet web site of Franchisee's own design, or in any other manner not explicitly authorized in writing by CRDN. Franchisee may use the Marks in conjunction with the marks of any Existing Business (defined below), but only in such manner authorized in writing by CRDN. Except as expressly provided in the Operations Manual, Franchisee may not display any other trademarks, logotypes, symbols, or service marks, nor may Franchisee use any other marks in connection with the Marks, or with the Franchised Business, without CRDN's prior written approval.

- (e) Franchisee agrees that all advertising and promotional materials that Franchisee uses shall bear the appropriate "TM", "SM", "@", or "©" registration symbol and/or such other appropriate notice of ownership, registration, or copyright as CRDN may require. Without limitation to the foregoing, Franchisee hereby covenants and agrees that it will affix in a conspicuous location at the Franchised Business a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark "CRDN", which trademark is owned by CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC".
- (f) Franchisee promises to secure a doing business as ("DBA") designation as set forth in Article 5.3. All filings or affidavits, following the receipt of an approved DBA, must state that the filing or affidavit is made as "a franchise of CRDN."

1.3.10 Discontinuance of Use of Marks. If it becomes advisable at any time in CRDN's sole discretion to modify or discontinue the use of any Marks and/or use one or more additional or substitute names or marks, you promise to comply with CRDN's direction within a reasonable time, not to exceed sixty (60) days, after you have received notice. You will be responsible to pay all expenses related to the modification of any of the Marks used in conjunction with your Franchised Business within sixty (60) days of notice from us to modify the Marks, including without limitation, new signage, uniforms, packaging, stationery, business cards, and other logoed or branded items. We will not be liable to you for any expenses, losses, or damages you sustain as the result of any such addition, modification, substitution, or discontinuance of a Mark, and you promise to not commence or join in any litigation or other proceeding against us for any such expenses, losses, or damages.

1.3.11 CRDN Domain. We are the lawful and sole owner of the domain name: www.crdn.com. You cannot register any of the Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Marks or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the Franchise System on the Internet and to create, operate, maintain and modify or discontinue use of any website using the Marks. You may access our website. Except upon receipt of our prior written approval, you cannot: link or frame our website; conduct any business or offer to sell or advertise any products or services on the Internet; nor create or register any Internet domain names in connection with your Franchised Business. The only exception to the foregoing is your requirement to list CRDN on online directories.

1.4 Optional Programs. CRDN and/or its affiliates may from time to time establish and offer to Franchisee additional programs ("Optional Programs") related to the Franchise



System. Participation in Optional Programs by Franchisee may require the payment of additional fees and the execution of additional agreements with CRDN, its affiliates or others.

1.5 Regional/National Programs. In an effort to expand the scope and sufficiency of geographic coverage for the Franchise System, CRDN strives to activate regional and/or national account programs (individually, a "Regional/National Program", and collectively, "Regional/National Programs") with insurance companies, third-party administrators, and other similar organizations, in areas encompassing more than one Franchise Territory and/or Franchised Business, including any portion(s) thereof (each, a "Regional/National Contact," and, upon the establishment of a Regional/National Program, a "Program Partner", and collectively, "Program Partners"). You must abide by the then-current Regional/National Program guidelines as set forth in the Operations Manual in addition to all provisions set forth in this Article 1.5 of the Agreement. Modifications to the Regional/National Program guidelines may be made from time to time at CRDN's discretion and shall be implemented through amendments or revisions to CRDN's Operations Manual.

1.5.1 Regional/National Account Marketing and Mailings. Franchisor reserves the sole right to solicit, market, and advertise to, and build regional and national account relationships with, any Regional/National Contact or Program Partner ("Regional/National Account Marketing"). Any such Regional/National Account Marketing may be done through such channels of distribution as the Internet, catalog sales, telemarketing or other direct marketing sales (individually and collectively, "Alternative Distribution Channels").

Franchisee acknowledges and agrees that: CRDN may perform Regional/National Account Marketing within the Franchise Territory; the office of any Regional/National Contact or Program Partner may be located in the Franchise Territory; and CRDN may include any CRDN franchisee or CRDN franchisee representative that CRDN, in its sole and absolute discretion, elects in its Regional/National Account Marketing efforts in the Franchise Territory.

Additionally, Franchisee is required to participate in system-wide solicitations, including without limitation mailings, advertisements, promotions, events, and any other method of communication Franchisor, in its sole discretion, deems appropriate, to target Regional/National Programs. Fees for such solicitations will be payable via EFT (as defined in Article 2.4 herein) and assessed on the next closest weekly EFT date to the applicable solicitation.

1.5.2 Regional/National Program Agreements. Certain Program Partners may require that you enter into an agreement with them directly ("Program Agreement"). Upon executing this Agreement or immediately thereafter, and without further consideration, Franchisee hereby agrees to execute any such Program Agreements as may be requested and Franchisee shall complete and/or execute and deliver such further documentation as may be reasonably requested by any Program Partner or CRDN in order to effectuate the terms and conditions and intent of any Regional/National Program and/or this Agreement.

1.5.3 Regional/National Program Application and Compliance. Franchisee must take all actions required by CRDN or any Program Partner to apply and/or register to participate in all Regional/National Programs ("Program Application Requirements"). Upon Program Partner Acceptance (as defined in Article 1.5.4 below), in order to maintain eligibility for participation in Regional/National Programs, Franchisee must: participate in and act in compliance with all policies and procedures, and strictly adhere to the terms, including but not limited to the terms regarding servicing of requests and referrals for jobs/losses, and dispute resolution procedures

(including legal proceedings such as litigation), of all Regional/National Programs, all to the extent permissible by law, as set forth in the Operations Manual; and act in compliance with the terms of this Agreement, any other agreement entered into between Franchisee and CRDN, any Program Agreement, and any agreement entered into between any Program Partner and CRDN to the extent such terms are made known to Franchisee (typically through published service level agreements) (collectively, "Program Compliance").

Franchisee acknowledges and agrees that all Program Partners are independent contractors and Franchisor has no interest in or authority over any Program Partner. As such, Franchisee acknowledges and agrees that the acceptance of Franchisee into any Regional/National Program is contingent upon the acceptance of Franchisee by the applicable Program Partner into the applicable Regional/National Program ("Program Partner Acceptance"), and that Franchisor has no authority to obligate or require any Program Partner Acceptance of Franchisee into any Regional/National Program.

CRDN and/or any Program Partner may establish initial and ongoing credentialing and eligibility requirements for participation in any Regional/National Program, which such requirements may involve the payment of fees including, by way of example only, a percentage of Gross Sales related to Regional/National Programs, may change from time to time, and some or all of which may be monitored through the Credentialing and Compliance Partner (as defined in Article 11.1 below) (collectively, the "Program Credentialing Requirements").

Additionally, Franchisee acknowledges and agrees that each Program Partner has the right and authority, in its sole discretion, to refer some or all work to other CRDN franchisees in the event such Program Partner prefers not to work with Franchisee based on said Program Partner's preference or Franchisee's performance and/or interaction with such Program Partner (collectively, "Program Partner Preference").

Franchisee may receive referrals by us for Regional/National Program jobs/claim assignments in the Franchise Territory that arise through any Regional/National Program, provided that: (i) Franchisee has met all Program Application Requirements; (ii) Franchisee maintains Program Compliance; (iii) Franchisee has been granted Program Partner Acceptance; (iv) Franchisee has met all Program Credentialing Requirements; (v) CRDN or any applicable Program Partner has not issued Franchisee a temporary, permanent, partial, or full suspension or termination from any Regional/National Program; and (vi) any applicable Program Partner has not exercised Program Partner Preference (each a "Program Condition").

In the event that any Program Condition is not met and/or maintained by Franchisee, CRDN and/or any applicable Program Partner, automatically and without further notice to Franchisee, may: refer any job/claim referrals associated with the applicable Regional/National Program or part thereof that would otherwise have been referred to Franchisee, to another CRDN franchisee of CRDN's or said Program Partner's choosing even if any such referred job/claim is located within the Franchise Territory; suspend or terminate Franchisee from participation in any portion of or the entire applicable Regional/National Program with respect to the Franchised Business and any other CRDN franchised business of Franchisee or any person or entity under common ownership with Franchisee and/or Franchisee Entity pursuant to franchise agreements with CRDN; and assess upon Franchisee fines and/or penalty fees in such amount(s) and pursuant to such terms as may then be set forth in the Operations Manual and/or such other service level performance requirements of the applicable Regional/National Program (the foregoing rights shall collectively be referred to as the "Program Specific Default Rights").

In connection with any Regional/National Program, CRDN reserves the right to establish, to the maximum extent permitted by law, the price you charge for services and you must adhere to any such established pricing. Such right extends to the utilization of any third party pricing platform (each, a “TPP” and collectively, “TPPs”) required and/or suggested by any Program Partner.

You may need to take action to obtain and/or maintain software or other related licenses to properly utilize such TPPs. You will be charged a fee to upload and convert invoices from our Franchise Management System (defined in Article 2.10 of this Agreement) to the given TPP. The fee will vary per conversion and the current fee for Regional/National Program (as defined in Article 1.6 below) job conversions is \$39 for those from the TPP, Xactimate and \$25 from the TPP, Symbolity. We may upload non-program jobs at a reduced fee or otherwise modified terms and the current fee for non-program conversions from Xactimate is \$6. All such fees are subject to change upon notice from CRDN or any TPP. You are currently required to upload all Regional/National Program and non-program jobs. Additionally, upon your notice of any such fee in accordance with Article 11.2 of this Agreement, we reserve the right to: (i) charge you a fee to use any in-field inventory software or app that we or any TPP may establish; and (ii) consolidate and/or bundle fees related to the processing of any single job or upon such other criteria as we or any TPP establish from time to time.

Franchisee also acknowledges and agrees that if any Regional/National Account Program is run through a central accounting entity, which may or may not be owned by CRDN, then Franchisee will adhere to the procedures and payment arrangements of such central accounting entity. Notice of any such central accounting entity will be provided in the Operations Manual.

**1.5.4 No Guarantee of Regional/National Program Acceptance or Participation, Program Partner Eligibility.** Franchisor cannot guarantee Franchisee will be granted Program Partner Acceptance into any Regional/National Program. **Even upon Program Partner Acceptance into a given Regional/National Program, there is no guarantee that Franchisee will be awarded assignments for the performance of CRDN Services, or that Franchisee will make a profit or attain any minimum level of sales or revenue, through said Regional/National Program.**

**1.5.5 Failure to Comply as Grounds for Termination.** Failure to comply with the terms, conditions and requirements set forth in Article 1.5 of this Agreement, including without limitation, failure to meet and maintain each Program Condition, shall be grounds for default under this Agreement and any applicable Regional/National Program. Provided, however, that in the event Franchisee has complied with all Program Application Requirements and Program Credentialing Requirements with respect to a particular Program Partner but is not granted Program Partner Acceptance by such Program Partner, Franchisee will not be deemed in default.

In the event of any default under this Article 1.5.5, CRDN, automatically and without further notice to Franchisee, reserves the right to: (i) refer any job/claim referrals associated with any Regional/National Program or all Regional/National Programs or part thereof that would otherwise have been referred to Franchisee, to another CRDN franchisee of CRDN’s or said Program Partner’s choosing even if any such referred job/claim is located within the Franchise Territory; (ii) suspend Franchisee from any Regional/National Program or all Regional/National Programs; (iii) terminate Franchisee from any Regional/National Program or all Regional/National Programs; (iv) and assess upon Franchisee fines and/or penalty fees in such amount(s) and pursuant to

such terms as may then be set forth in the Operations Manual and/or such other service level performance requirements of the applicable Regional/National Program; (v) suspend Franchisee and the Franchised Business from performing and/or receiving any referrals for the performance of Franchise Services; and/or (vi) terminate this Agreement or any other agreement between Franchisee and Franchisor. The foregoing rights are exclusive of and in addition to the Program Specific Default Rights as well as Franchisor's termination rights set forth in Article 13 of this Agreement and all such rights shall extend to the Franchised Business and/or any other CRDN franchised business of Franchisee or any person or entity under common ownership with Franchisee and/or Franchisee Entity pursuant to franchise agreements with CRDN.

The foregoing notwithstanding, in the event of Franchisee's suspension from any Regional/National Program, CRDN will make reasonable efforts to work with Franchisee and the applicable Program Partner to re-establish Franchisee's eligibility into the applicable Regional/National Program. Provided, however, that such efforts provided by Franchisor shall be at Franchisor's discretion, shall be provided solely on a voluntary basis with no guarantee or warranty of success, and shall not restrict, delay, or otherwise modify CRDN's rights set forth in this Article 1.5.5 or otherwise under this Agreement.

1.6 Rights Reserved by CRDN. Without limitation, CRDN reserves the right to:

- (a) At our sole discretion, establish and allow other CRDN franchisees to establish CRDN Business-related facilities, within the Franchise Territory, but subject to the same or similar restrictions for marketing to and servicing customers that Franchisee is subject to under the terms of this Agreement;
- (b) Perform and allow others to perform, and/or establish and allow others to establish CRDN franchises, or franchises offered by the Affiliate Franchise Network (as defined below), within the Franchise Territory, for the provision of, any service offered in connection with any franchises or franchised businesses owned or operated by CRDN or by or on behalf of any affiliate of CRDN (each an "Affiliate Franchised Network"), that does not include the Franchise Services;
- (c) Sell CRDN identified products through Alternative Distribution Channels, within the Franchise Territory;
- (d) Advertise, offer and sell services and products within the Franchise Territory which do not comprise a part of the Franchise System and, in connection with this right, to exploit CRDN's Marks, name, reputation, and know-how;
- (e) In accordance with Article 1.5, perform Regional/National Account Marketing in the Franchise Territory, include any CRDN franchisee or representative that CRDN, in its sole and absolute discretion, elects in such Regional/National Account Marketing;
- (f) Acquire businesses inside and outside of the Franchise Territory providing services similar to those provided for under the Franchise System and to be acquired by such business; and
- (g) Offer additional services to CRDN franchisees to perform under the Marks; provided, however, you may be required to pay certain up-front and ongoing fees, meet and

maintain certain qualifications, and enter into an amendment to this Agreement and/or execute a separate contract, prior to being approved and authorized to provide any such additional services.

## ARTICLE 2: FEES AND OTHER MONETARY REQUIREMENTS

### 2.1 Initial Franchise Fee

#### **First Payment Package**

You promise to pay us a total initial fee (the "Initial Franchise Fee") in the amount of \$«FranFee» in accordance with the terms of this Article 2.1. The Initial Franchise Fee has three components: a Fixed Licensing Fee; a Territory Fee; and an Initial Package Fee, as such terms are defined and described below.

2.1.1 Fixed Licensing Fee. Your "Fixed Licensing Fee" is \$16,000 and accounts for your general right to operate the Franchised Business. Initial Training (defined in Article 7.1 below) for two persons is included as part of the Fixed Licensing Fee and allocated as \$8,000 thereof.

2.1.2 Territory Fee. Your "Territory Fee" is \$«TerrFee» and is based upon the total number of households (individually, a "Household", and collectively, "Households") in your Franchise Territory. Your Territory Fee is calculated as follows: (a) \$16,000 for the first 250,000 Households in your Franchise Territory; and (b) \$0.02 for each additional Household in the Franchise Territory.

2.1.3 Initial Package Fee. You promise to pay us a fee for an initial package ("Initial Package") in the amount of \$13,600 (the "Initial Package Fee"). The Initial Package contains certain licenses, allowances, products and supplies, all as described in Exhibit B, which is attached to this Agreement and incorporated herein by reference, including but not limited to: a TPP Development Fee (defined below); a convention allowance to be applied toward and offset registration expenses of your first CRDN Convention and/or CRDN Regional Meeting, as defined below ("Convention Allowance"); one (1) Tablet (defined below) and the corresponding Tablet set-up and training; and certain other marketing materials and branded items.

2.1.4 Initial Franchise Fee Payment. Your total Initial Franchise Fee may be paid in one lump sum upon execution of this Agreement or you may elect to receive financing therefor. In the event you elect to receive financing, one-third (1/3) of your total Initial Franchise Fee, \$«Due\_Now», is due upon your execution of this Agreement, and the remaining two-thirds (2/3), \$«Note», shall be payable in accordance with the terms of the promissory note ("Promissory Note") attached hereto as Exhibit 2A and incorporated herein by reference, that you must execute concurrently with the execution of this Agreement.

#### **Second Payment Package**

You promise to pay us a total initial fee (the "Initial Franchise Fee") in the amount of \$«FranFee» in accordance with the terms of this Article 2.1. The Initial Franchise Fee has three components: a Fixed Licensing Fee; a Territory Fee; and an Initial Package Fee, as such terms are defined and described below.

2.1.1 Fixed Licensing Fee. Your “Fixed Licensing Fee” is \$8,000 and accounts for your general right to operate the Franchised Business. Initial Training (defined in Article 7.1 below) for two persons is included as part of the Fixed Licensing Fee and allocated as \$4,000 thereof.

2.1.2 Territory Fee. Your “Territory Fee” is \$«TerrFee» and is based upon the total number of households (individually, a “Household”, and collectively, “Households”) in your Franchise Territory. Your Territory Fee is calculated as follows: (a) \$3,000 for the first 250,000 Households in your Franchise Territory; and (b) \$0.01 for each additional Household in the Franchise Territory.

2.1.3 Initial Package Fee. You promise to pay us a fee for an initial package (“Initial Package”) in the amount of \$13,600 (the “Initial Package Fee”). The Initial Package contains certain licenses, allowances, products and supplies, all as described in Exhibit B, which is attached to this Agreement and incorporated herein by this reference, including but not limited to: a TPP Development Fee (defined below); a convention allowance to be applied toward and offset registration expenses of your first CRDN Convention and/or CRDN Regional Meeting, as defined below (“Convention Allowance”); one (1) Tablet (defined below) and the corresponding Tablet Set-Up and Training Fee (as defined below); and certain other marketing materials and branded items.

2.1.4 Initial Franchise Fee Payment. Your total Initial Franchise Fee may be paid in one lump sum upon execution of this Agreement. Alternatively, you may elect to pay one-half (1/2) of your total Initial Franchise Fee, \$«Due\_Now», upon your execution of this Agreement, and the remaining one-half (1/2), \$«Note», shall be payable upon your commencement of Initial Training (as defined in Article 7 below).

2.2 Initial Franchise Fees Non-Refundable. All Initial Franchise Fees, including the Initial Package Fee, shall be fully earned by us and non-refundable when you, or your delegate, commence Initial Training.

### 2.3 Annual Fixed Fee and Royalty

#### **First Payment Package**

You promise to pay us an annual fixed fee (“Annual Fixed Fee”) (for the previous 12 months of operation) of \$5,000. The Annual Fixed Fee is due via electronic funds transfer (“EFT”) and payable on or before January 15 of each year for the preceding calendar year of operation of the Franchised Business. The Annual Fixed Fee for your first year in operation will be prorated based on how many months you had been in business, subsequent to the Commencement of Operations, as of the calendar year end for the year in Commencement of Operations occurred.

You also promise to pay us a weekly royalty (the “Royalty” or “Royalties”) equal to 6% of Gross Sales (as defined below in Article 2.5). Commissions paid/ kept by lead sources (general contractors, contents cleaning companies, third-party administrators, etc.) are subject to Royalty. Every Monday, we will scan the Franchise Management System and find all jobs which have had changes in the amounts paid by customers since the previous week, and compute Royalties on the amount of the change. When amounts are paid on jobs, Royalties will be charged on those amounts. When amounts are refunded to customers for non-restorable items (*non-restorable: Textile item that has not successfully responded to the restoration process; restoration attempted but pre-loss condition cannot be achieved*), a Royalty credit will be given on those amounts. You

will receive an email itemizing the jobs on which Royalties will be assessed (or credited), and the total of the Royalties. On Friday of that week, we will initiate an EFT between our bank accounts for the amount indicated in the email. If funds are not available, you will be notified, a processing fee will be applied and another EFT will be initiated. We reserve the right to collect all outstanding Royalty(ies) due to us sixty (60) days after the billing date of the performance of any CRDN Services job/assignment, or any date thereafter, even if amounts are not paid for such job.

If you fail to report your Gross Sales for the week as required, or to record receipt of payments received within five (5) calendar days of being received, cashed or deposited, you will be subject to a Late Payment Fee (as defined in Article 2.4 herein), we may debit your account on the applicable Friday for the same Royalty amount that we debited during the previous week, and we may do so for each such week that you so fail to report Gross Sales as required. If the Royalty we debit from your account is greater than the Royalty you actually owe us (once we have determined your true and correct Gross Sales for the applicable period), we will credit the excess against the amount we otherwise would debit from your account on first Friday following our determination of your true and correct Gross Sales for the applicable period. If the Royalty we debit from your account is less than the Royalty you actually owe us, we will debit your account for the balance of the Royalty due on first Friday following our determination of your true and correct Gross Sales for the applicable period.

We can require you to pay the Royalty by means other than automatic debit (e.g., by check) whenever we deem appropriate, and you promise to comply with our payment instructions.

### **Second Payment Package**

You promise to pay us an annual fixed fee ("Annual Fixed Fee") (for the previous 12 months of operation) of \$3,000. The Annual Fixed Fee is due via electronic funds transfer ("EFT") and payable on or before January 15 of each year for the preceding calendar year of operation of the Franchised Business. The Annual Fixed Fee for your first year in operation will be prorated based on how many months you had been in business, subsequent to the Commencement of Operations, as of the calendar year end for the year in Commencement of Operations occurred.

You also promise to pay us a weekly royalty (the "Royalty" or "Royalties") equal to 9% of Gross Sales, as defined below in Article 2.5. Commissions paid/ kept by lead sources (general contractors, contents cleaning companies, third party administrators, etc.) are subject to Royalty. Every Monday, we will scan the Franchise Management System and find all jobs which have had changes in the amounts paid by customers since the previous week, and compute Royalties on the amount of the change. When amounts are paid on jobs, Royalties will be charged on those amounts. When amounts are refunded to customers for non-restorable items (*non-restorable: Textile item that has not successfully responded to the restoration process; restoration attempted but pre-loss condition cannot be achieved*), a royalty credit will be given on those amounts. You will receive an email itemizing the jobs on which Royalties will be assessed (or credited), and the total of the Royalties. On Friday of that week, we will initiate an EFT between our bank accounts for the amount indicated in the email. If funds are not available, you will be notified, a processing fee will be applied and another EFT will be initiated. We reserve the right to collect all outstanding Royalty(ies) due to us sixty (60) days after the billing date of any CRDN Services job/assignment, or any date thereafter, even if amounts are not paid on said job.

If you fail to report your Gross Sales for the week as required, or to record receipt of payments received within five (5) calendar days of being received, cashed or deposited, you will

be subject to a Late Payment Fee (as defined in Article 2.4 herein), we can debit your account on the applicable Friday for the same Royalty amount that we debited during the previous week, and we may do so for each such week that you so fail to report Gross Sales as required. If the Royalty we debit from your account is greater than the Royalty you actually owe us (once we have determined your true and correct Gross Sales for the applicable period), we will credit the excess against the amount we otherwise would debit from your account on the first Friday following our determination of your true and correct Gross Sales for the applicable period. If the Royalty we debit from your account is less than the Royalty you actually owe us, we will debit your account for the balance of the Royalty due on the first Friday following our determination of your true and correct Gross Sales for the applicable period.

We can require you to pay the Royalty by means other than automatic debit (e.g., by check) whenever we deem appropriate, and you promise to comply with our payment instructions.

2.4 Late Payment Fee and Interest. As part of the Pre-Activation Requirements (as defined in Article 5.1 herein), you must agree to sign and deliver to us the documentation we require to authorize us to perform an EFT from your business checking account for all applicable fees due and owing hereunder, including without limitation the Annual Fixed Fee, Royalties, and for all other purposes provided for in this Agreement.

In the event that any fee or payment owed to us under this Agreement, including but not limited to Royalties, the Annual Fixed Fee, software fees (as incurred in association with the Software License Agreement (defined in Article 2.10 of this Agreement) or fees in connection with any Promissory Note you may have signed with CRDN, are not timely paid and/or are not available in your account for debiting via EFT when due, a late payment fee ("Late Payment Fee") will be imposed of either: five percent (5%) of the Royalty amount that would have been payable (if Royalty would have been assessable upon such late fee or payment); or \$50, whichever sum is greater, for each week past due.

The foregoing notwithstanding, specifically with reference to failure to report Gross Sales within the timeframe required in Article 2.3, a Late Payment Fee would be assessable as a result of actions including, but in no way limited to, hiding, wrongfully discounting, underreporting or understating Gross Sales, failing to record Gross Sales in the appropriate location or manner, or manipulating Gross Sales in an effort to avoid assessment of any Royalty or other fees under this Agreement.

Additionally, interest on any Royalty or other amount due will be imposed at the rate of 12% per annum or the maximum rate permitted by applicable law ("Late Payment Interest"), whichever is greater, from the date such amounts were originally due until the date such amounts were paid/received.

We can debit your account, via EFT, for both the Late Payment Fee and Late Payment Interest. In the event that a given payment has not been recorded at all, upon discovery/notice of the unreported payment, we will use the date of discovery/notice as the date of payment entry and assess any Late Payment Fee and/or Late Payment Interest. We are authorized, but not required, to apply any moneys we hold or otherwise come to our possession, that would otherwise be distributed to you, toward any outstanding fee, payment or other obligation arising out of this Agreement or any other agreement Franchisee has with CRDN.



2.5 **Definition of Gross Sales.** “Gross Sales”, as used in this Agreement, includes all services billed and/or invoiced for as part of the operation of the Franchised Business, including the commissions paid/kept by lead sources (general contractors, contents cleaning companies, third party administrators, etc.), whether in cash, in services in kind, from barter and/or exchange, or otherwise. All revenue you receive from your non-restoration drycleaning operations shall not be included in Gross Sales. All barter and/or exchange transactions for which you furnish CRDN services and/or products in exchange for goods or services will be, for the purpose of determining Gross Sales, valued at the full retail value of the goods and/or services you provide. You may deduct from Gross Sales the amount of all sales tax receipts or similar tax receipts that, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and actually paid to the applicable tax authorities<sup>3</sup>. In accordance with our policies as published from time to time, you may also deduct from Gross Sales the amount of any documented refunds on non-restorable items. All payments received that would constitute Gross Sales must be recorded in the Franchise Management System within five (5) calendar days of being received, cashed or deposited, whichever occurs first.

2.6 **Requirement to Achieve a Minimum Level of Gross Sales.** You acknowledge and agree that we have awarded you this Franchised Business and Franchise Territory with the expectation that you will be able to develop a Franchised Business that will achieve a minimum level of monthly Gross Sales (the “Minimum Monthly Gross Sales Requirement”) as follows:

<b>Minimum Monthly Gross Sales Requirement</b>	
(Number of Households × Gross Sales \$ Factor = Minimum Monthly Gross Sales Requirement ) (Example: 500,000 HH × \$0.03 = \$15,000 Minimum Monthly Gross Sales Requirement)	
Years in Operation under this Agreement	Gross Sales \$ Factor
Less than 1	Not Applicable
Greater than 1 but less than 2	\$0.03
Greater than 2 but less than 3	\$0.04
Greater than 3 but less than 4	\$0.05
Greater than 4 but less than 5	\$0.06
Greater than 5 but less than 6	\$0.07
Greater than 6 but less than 7	\$0.08
Greater than 7 but less than 8	\$0.09
Greater than 8 but less than 9	\$0.10
Greater than 9	\$0.11

Upon the renewal or transfer of this Agreement, for the purpose of determining your, or your assignee's Minimum Monthly Gross Sales Requirement, as applicable, the years in operation are measured from the date this Agreement was signed or as otherwise agreed to by CRDN. Further, unless modified in our Operations Manual, we will look at your sales by month billed, as reported in the Franchise Management System, each month to determine whether you have met your Minimum Monthly Gross Sales Requirement.

In the event that you do not achieve the required Minimum Monthly Gross Sales Requirement for any two (2) or more consecutive month period, upon notice, you shall pay a minimum royalty fee (a "Minimum Royalty Fee") via EFT equal to the difference between what you would have been assessed for Royalties had you achieved the Minimum Monthly Gross Sales Requirement for the applicable month(s) and the actual Royalties paid for the applicable month(s).

2.7 Marketing, Advertising, and Promotion. You acknowledge and agree that to secure new Customers (as defined in Article 3.2 herein) for your Franchised Business you must hire at least one (1) experienced full-time marketing person in your Franchise Territory. You cannot consider yourself to be this full-time marketing person without our prior written consent. If you refuse to hire a full-time marketing person, we reserve the right, but have no obligation whatsoever hereunder, to hire a full-time marketing person for you and assess all costs to you, which will include without limitation, salary, benefit costs, training and travel expenses of the marketing person and all costs incurred by CRDN, including advertisement, and solicitation costs whether payable to third parties or CRDN, and time, travel, food and lodging, as applicable, of any CRDN representative in the hiring process.

You must require, and provide copies to us of, criminal background checks for any CRDN owner, employee or associated persons who will have access to a Customer's residence, business facility, office, or any Customer's personal/confidential information.

Any employee who has access to CRDN proprietary information must sign a written agreement to maintain confidentiality of our trade secrets and to abide by a covenant not to compete. We do not have a standard form, as laws vary between jurisdictions; however, we do require that such agreements will prohibit disclosure, by the employee to any other person, legal entity or other third party, of any trade secrets, Customer lists, or other information, knowledge, or know-how regarding the Franchise System or the operation of the Franchised Business, which is deemed confidential or proprietary by us. Such employee confidentiality, non-disclosure and non-competition agreements shall, to the fullest extent permitted by applicable law, prevent employees from servicing or marketing to any of the Customers of your Franchised Business, except in their capacities as employees of your Franchised Business. A fully executed copy of the agreement for each employee must be sent to us prior to his/her commencement of work for or on behalf of the Franchised Business.

We reserve the right to require your participation in the employment of any area, regional or state sales and/or marketing representative ("Regional Marketing Representative") in conjunction with other participating franchisees in your general geographic area (the "Area"). In the event such Regional Marketing Representative is employed, payment of all expenses associated with such employment must be shared by the participating franchisees in the Area determined by either the percentage of ownership of the Area based upon the number of targeted households in each participating franchisee's awarded territory/ies or by allocating one share of the payment requirements for each franchise territory owned by each participating franchisee. In

such event, all hiring, firing and management of such Regional Marketing Representative may only be provided by CRDN.

As set forth in Article 1.5 above, you are required to participate in system-wide mailings, if and when performed, no more frequently than every 6-8 weeks. The cost will vary depending on the number of local customers you have in your individual database within our Franchise Management System.

You must receive our written approval of all advertising and marketing materials prior to their use. All advertising and marketing materials must meet our then current specifications as published in our Operations Manuals. We may offer and sell advertising, marketing, and promotional materials at any time. You have no obligation to purchase any such materials or forms from us.

2.8 Telephone, Job Referrals and Call-Center. You must also conduct, at your expense, marketing, advertising, and promotional programs at the local level. You promise to spend on these programs at least \$0.05 for each Targeted Household located in your Franchise Territory each calendar year (the "Local Marketing Requirement"). Provided, however, that the cost of your full time marketing person may be counted toward the Local Marketing Requirement. Additionally, you must abide by the marketing guidelines as set forth in the Operations Manual, and/or any marketing-specific manual created as part of the Operations Manual, including but not limited to requirements for reminder notices, Customer contact frequency and manner, management of accounts and all other matters related to Customer solicitation and maintenance.

As part of your Local Marketing Requirement, and part of the Pre-Activation Requirements (as defined in Article 5.1 of this Agreement), you must acquire and maintain a telephone number that is dedicated to your CRDN business and separate and apart from any existing dry-cleaning operation telephone number ("CRDN Telephone Number"), which cannot be a home phone or personal cell phone number.

You must also utilize the call center/answering service then currently approved of by CRDN to receive jobs/loss assignment notices (the "Call Center"). You must abide by the then-current Call Center guidelines and requirements as set forth in the Operations Manual, including but not limited to: submission to us and/or the Call Center of your CRDN Telephone Number or such other required phone numbers, including a number to receive text messages, and such other information as requested from time to time; response timing and methods regarding job loss assignments; and the establishment and payment of such fees as are then currently assessable with respect to the Call Center (each a "Job Referral Fee" and collectively, the "Job Referral Fees"). Modifications to the Call Center guidelines including, by way of example only, the type and amount of the Job Referral Fees, may be made from time to time at CRDN's discretion, and shall be implemented through amendments or revisions to CRDN's Operations Manual.

The current Job Referral Fees and certain other Call Center requirements are set forth below but are subject to change. Jobs will initially be referred to you via a text message from CRDN ("CRDN Text Referral"). You may accept a job by replying to a CRDN Job Referral Text within the then-current required response time and by complying with any other content or related requirements (a compliant response shall be referred to as the "Job Acceptance Text"). In the event you fail to provide a Job Acceptance Text, the Call Center will contact CRDN and CRDN will then distribute the assignment accordingly. You agree to pay the following Job Referral Fees on account of the services rendered by the Call Center and/or CRDN: (1) a fee per CRDN Text

Referral sent (the "CRDN Text Referral Fee") (currently, \$3.50); (2) a weekly fee for maintenance of the Call Center including your assigned local Call Center related phone number (currently, \$15); (3) a CRDN contact fee (the "CRDN Contact Fee") per each assignment for which you fail to provide a Job Acceptance Text (currently, \$50); (4) a per second call fee (the "Per Second Call Fee") assessable upon each second of any call the Call Center makes to you or CRDN in connection with any jobs referred to you (currently, \$.035 per second); and (5) a minimum minute usage requirement fee ("Minimum Usage Fee") (currently, \$.035 per second for any unused portion of your Minimum Monthly Minutes Requirement). The "Minimum Monthly Minutes Requirement" is the then-current minimum number of monthly minutes you are required by the Call Center to use each month (currently 29). All Job Referral Fees shall be paid via EFT on a weekly basis in the same manner as the Royalty and other fees described in this Agreement, as applicable.

The Call Center is currently a third party vendor. Provided, however, that CRDN reserves the right to: perform some or all functions of the Call Center; add services to be performed by the Call Center; charge fees to you for all additional services whether performed by a third party, CRDN or any combination of persons and/or entities; and to modify the Call Center guidelines, as set forth above.

You promise to continually list the Franchised Business in the primary telephone and all equivalent electronic directories distributed in your Franchise Territory or directory servicing your Franchise Territory and, at a minimum, to maintain a trademark listing advertising your Franchised Business in the "Yellow Pages" of the primary directory servicing your Franchise Territory.

2.9 Regional/National Marketing, Advertising and Promotion Fund. Recognizing the value of marketing, advertising, and promotion to the goodwill and public image of the Franchise System, you acknowledge and agree that we have the right to establish a marketing and promotion fund (the "Fund") for marketing, advertising, promotion, cross-promotion, and public relations programs and materials. At this time, the Fund is active, and you are required to make payments into it. You promise to contribute to the Fund a designated amount that will not exceed 1% of your Gross Sales. The current Fund contribution is 1% of your Gross Sales. All contributions will be by EFT on a weekly basis and will be made in the same manner as your Royalties. We reserve the right to collect all outstanding Fund monies due to us sixty (60) days after the billing date of any CRDN Services job/referral. You acknowledge that this statement does not preclude us from accepting or collecting any payments after that time. Monies not expended during the year they are collected will remain in the Fund for future expenditure.

The Fund contributions paid by Franchisee and all Fund fees shall be expended by CRDN, at its sole discretion, for advertising and sales promotion on a national, regional, and/or multi-regional basis including by way of example only: preparing and producing video, audio, digital, and written materials; for such creative, production and administrative expenses incurred in connection with any advertising or promotional materials of any type developed by CRDN, including by way of example only, market research, compensation of CRDN's marketing and sales executives and staff, hiring outside advertising and public relations agencies to provide assistance and support for public relations, market research, piloting, consultations for work performed to test initiatives; any other advertising, promotion, and marketing activities, including by way of example only, any CRDN Convention or CRDN Regional Meeting; and such other research expenditures as CRDN may deem reasonable and appropriate, in its sole discretion.

Our expenditures of the Fund will be at our sole discretion, and we are not obligated to spend Fund contributions in any particular market, nor in a way that benefits each franchisee equally or in proportion to their payments. We are permitted to aggregate funds or disaggregate funds to create one or more Funds for one or more systems, wherever administered or located. Any materials developed by the Fund will be made available to you through our fulfillment supplier for the published fees. The Fund will not be our asset, but may be commingled with our other funds, will be accounted for separately from our other funds, and will be held for the benefit of the Franchise System. We will furnish to you upon request an annual statement of monies collected and costs incurred by the Fund. We can have the Fund incorporated or operated through a separate entity anytime we deem appropriate, and the successor entity will have all of the rights and duties specified in this Article 2.8.

2.10 Franchise Management System, Software Licensing Agreement and Fees. Franchisor has established and maintains a Franchise System-wide software management system for, among other things, processing of jobs, and maintenance of customer records, order details, and sales related data for all CRDN Services performed by each CRDN Franchisee (the "Franchise Management System"). You must utilize the Franchise Management System in the operation of the Franchised Business. The Franchise Management System will be licensed to you through the software license agreement (the "Software License Agreement") attached hereto as Exhibit C and incorporated herein by reference, which you must execute simultaneously upon execution of this Agreement. In addition to the requirements and obligations set forth in this Section 2.10, you will be bound by and must adhere to all other terms and conditions set forth in the Software License Agreement.

2.10.1 Interface. All software, applications, and other components of the Franchise Management System including, without limitation, the In-Field Job Processing System (defined below), interface and share information directly with each other. Additionally, the Franchise Management System will interface directly with your point of sale software system.

2.10.2 TPP Development Fee. Prior to Franchisee's Commencement of Operations (defined in Article 5.1 below), Franchisor must establish an interface between the TPPs and Franchisee's Franchised Business. The cost for establishing such interface is currently \$1,000 (the "TPP Development Fee") but may change from time to time in Franchisor's discretion and be implemented through amendments or revisions to Franchisor's Operations Manual. If this Agreement is executed in connection with Franchisee's initial purchase of a CRDN franchise, the TPP Development Fee will be payable as part of the Initial Package Fee and shall be payable in accordance with Article 2.1.3 of this Agreement. The TPP Development Fee is a one-time fee and not assessable upon renewal of the Franchise Agreement.

2.10.3 Initial License Fee. In connection with the Franchise Management System usage, you must pay Franchisor an initial license fee (the "Initial License Fee"). The current Initial License Fee is Five Thousand Seven Hundred Dollars (\$5,700), but this amount may change from time to time in Franchisor's sole and absolute discretion and be implemented through amendments or revisions to Franchisor's Operations Manual. If this Agreement is executed in connection with Franchisee's initial purchase of a CRDN franchise, the Initial License Fee will included in the Initial Package Fee, and shall be payable in accordance with Article 2.1.3 of this Agreement. The Initial License Fee is a one-time fee and not assessable upon renewal of the Franchise Agreement.

2.10.4 Weekly License Fee. In connection with the Franchise Management System usage, you must pay Franchisor a weekly fee (the "Weekly License Fee"). The Franchise

Management License Fee is Fifty Dollars (\$50.00) for the Franchised Business. The amount of the Weekly Software License Fee may change from time to time in Franchisor's sole and absolute discretion and be implemented through amendments or revisions to Franchisor's Operations Manual. If the Weekly Software License Fee is modified by Franchisor, Franchisor will provide Franchisee with thirty (30) days' notice of the change prior to implementation.

The Weekly Software License Fee shall be paid by Franchisee on a weekly basis. We will draft the Weekly Software License Fee from your bank account via EFT weekly, in the same manner as your Royalties. The Weekly Software License Fee is due commencing on the Commencement of Operations Deadline.

2.10.5 Per-Job Fee. You must pay a per-job fee (the "Per-Job Fee") in connection with Franchisor's processing and monitoring of each job serviced as part of the Franchised Business. The current Per-Job Fee is \$7.50 for each job and/or service requested (if more than one service type is performed in connection with a job including Textile Restoration Services, Inventory Capture Services, or if applicable any optional services offered) entered into the Franchise Management System plus an additional \$17.50 for each job received through CRDN's website or other electronic form of submission to CRDN. The Per-Job Fee will be invoiced by CRDN within seven (7) days following the entry of each job into the Franchise Management System. We will draft all applicable Per-Job Fees from your bank account via EFT weekly, in the same manner as your Royalties. Per-Job Fees are due commencing on the Commencement of Operations Deadline.

The amount of the Per-Job Fee may change from time to time in Franchisor's sole and absolute discretion and be implemented through amendments or revisions to Franchisor's Operations Manual. If the Per-Job Fee is modified by Franchisor, Franchisor will provide Franchisee with thirty (30) days' notice of the change prior to implementation.

2.10.6 Cloud Hosted Accounts. CRDN has created and continues to create internet cloud-based content and features including, by way of example only, hosted CRDN email accounts, a CRDN team website exclusive to the Franchise System, a video training and informational library, and multiple proprietary apps, all for use in connection with the Franchise Management System (collectively, the "Cloud Services") in accordance with the terms set forth below:

- (a) (a) You must maintain a minimum of one (1) Cloud Services account (individually a "Cloud Services Account" and collectively, the "Cloud Services Accounts") in the Franchised Territory. Each Principal Owner must obtain a CRDN branded e-mail address (currently, [first.last}@crdn.net](mailto:{first.last}@crdn.net)) through a Cloud Services Account. If the Franchised Business has more than one (1) Principal Owner, then the Franchisee may designate one Principal Owner to receive e-mail communications via the Cloud Services Account, upon written notice to Franchisor. However, each Franchised Business is required to have its own Cloud Services Account. Please note that all invoicing as well as communication to the CRDN franchise network and each individual Franchisee will be sent electronically through the e-mail address(es) associated with the Cloud Services Account(s).
- (b) We reserve the right to require you to maintain up to three (3) Cloud Services Accounts, upon written notice to you. If we exercise our right to increase the number

of Cloud Services Accounts required, we will provide you with sixty (60) days' notice of the change prior to implementation. You may, and we encourage you to, purchase additional Cloud Services Accounts with branded CRDN email addresses for any member of your team. Any additional Cloud Services Accounts purchased must be serviced and maintained in accordance with the terms of the Operations Manual, the Software License Agreement, and/or otherwise as set forth in this Agreement.

- (b) For each Cloud Services Account you have in use, you will be subject to a weekly Cloud Services Account fee (each "Weekly Cloud Services Fee" and collectively for all Cloud Services Accounts, the "Weekly Cloud Services Fees") as set forth below and as otherwise described in the Software License Agreement. The current Weekly Cloud Services Fee is set forth in the Operations Manual and includes a single {first.last}@crdn.net branded email address with full mailbox features as well as access to Microsoft Office products on the web and via mobile phone. amount of the Weekly Cloud Services Fee and/or collection period therefor (i.e. weekly, monthly, etc.), may change from time to time in Franchisor's sole discretion. Any such modification to the Weekly Cloud Services Fee will be implemented through amendments or revisions to the Operations Manual. If the Weekly Cloud Services Fee is modified, Franchisor will provide Franchisee with thirty (30) days' notice of the change prior to implementation.
- (c) The Weekly Cloud Services Fee shall be paid by Franchisee on a weekly basis for each Cloud Services Account used in connection with the Franchised Business. We will draft all applicable Weekly Cloud Services Fees from your bank account via EFT weekly, in the same manner as your Royalties. Weekly Cloud Services Fees are due commencing on the Commencement of Operations Deadline.

2.10.7 In-Field Job Processing System. The Franchise Management System includes an in-field job processing system ("In-Field Job Processing System") which utilizes in-field tablet devices (each a "Tablet" and collectively, "Tablets") to capture and process all details of a job including pick-up, inventory, invoicing, restoration, and to delivery. Franchisee must utilize the In-Field Job Processing System in the operation of the Franchised Business. You must pay Franchisor an initial one-time set-up and training fee (the "Tablet Set-Up and Training Fee") of \$200.00 for each Franchise Territory. The Tablet Set-Up and Training Fee is included in the Initial Package if you are purchasing an initial CRDN franchise and it is not assessable upon renewal of the Franchise Agreement, if previously paid.

- (a) Approved Tablets. Franchisee must purchase Tablets according to Franchisor's then-current requirements from Franchisor or such third party supplier as Franchisor may designate. The list of approved Tablet types/devices, vendors, and Tablet specifications, including any associated applications, features and/or add-on's, are subject to change in Franchisor's sole discretion as implemented through amendments or revisions to Franchisor's Operations Manual. You must utilize each Tablet in compliance with the terms of the Operations Manual, the Software License Agreement, and/or otherwise as set forth in this Agreement. The cost of each Tablet may vary and typically ranges from Three Hundred Dollars (\$300) to Four Hundred Dollars (\$400).
- (b) Required Tablet Usage. Franchisee is obligated to purchase, maintain and utilize at least one (1) Tablet in each Franchise Territory. If you are purchasing an initial CRDN

franchise, one (1) Tablet will be provided as part of the Initial Package, as set forth in Exhibit B of this Agreement. Any additional Tablets purchased must be serviced and maintained in accordance with the terms of the Operations Manual, the Software License Agreement, and/or otherwise as set forth in this Agreement.

- (c) Field Services Training. Before commencement of use of the In-Field Job Processing System, Franchisee (and anyone using the In-Field Job Processing System on behalf of the Franchisee) must complete the In-Field Job Processing System training program (the "Field Services Training") which sets forth the functions of the In-Field Job Processing System. Unless otherwise agreed in writing by CRDN, such Field Services Training must be completed within fourteen (14) calendar days after Franchisee's receipt/purchase of a Tablet. All employees or representatives of the Franchisee that will utilize and perform any function of the In-Field Job Processing System, must complete in the Field Services Training. Franchisor reserves the right to provide any and all portions of the Field Services Training electronically via video or otherwise. All Field Services Training must be completed to CRDN's satisfaction as evidenced in such manner as Franchisor then-currently requires. All trainees of the In-Field Job Processing System are subject to the requirements of confidentiality, non-disclosure and non-competition as set forth in this Agreement including Article 2.7 hereof or otherwise.

2.10.8 Tablet Usage Fee. In connection with the utilization of each Tablet including, without limitation, functionality software and related support, Franchisee is subject to a weekly Tablet usage fee (each a "Tablet Usage Fee" and collectively for all Tablets, the "Tablet Usage Fees") as set forth below and as otherwise described in the Software License Agreement.

- (a) The current Tablet Usage Fee is Nine Dollars (\$9.00) per week. The amount of the Tablet Usage Fee and/or collection period therefor (i.e. weekly, monthly, etc.), may change from time to time in Franchisor's sole and absolute discretion. Any such modification to the Tablet Usage Fee will be implemented through amendments or revisions to the Operations Manual. If the Tablet Usage Fee is modified, Franchisor will provide Franchisee with thirty (30) days' notice of the change prior to implementation.
- (b) The Tablet Usage Fee shall be paid by Franchisee on a weekly basis for each Tablet used in connection with the Franchised Business. We will draft all applicable Tablet Usage Fees from your bank account via EFT weekly, in the same manner as your Royalties. If this Agreement is executed in connection with Franchisee's initial purchase of a CRDN franchise, the Tablet Usage Fees are due commencing on the Commencement of Operations Deadline. For all others, including upon renewal, the Tablet Usage Fees are due commencing the week you receive your first Tablet in your Franchised Territory.

2.10.9 Inventory Capture System. The Franchise Management System includes an inventory capture system ("Inventory Capture System") which Franchisee must utilize in the operation of the Franchised Business for the performance of various services related to inventorying of jobs/losses ("Inventory Capture Services"), all subject to the provisions below.

- (a) Imagery. The Inventory Capture System requires the ability to record visual imagery of items that are damaged in a job/less. At this time, the In-Field Job Processing



System may be utilized to record such visual imagery; provided, however, that in the future, Franchisor reserves the right to require Franchisee to purchase cameras or other devices and/or software capable of recording visual imagery (each a “Camera”) according to Franchisor’s then-current requirements from Franchisor or such third party supplier as Franchisor may designate. Franchisee will be provided sixty (60) days’ advance written notice upon implementation of the requirement to purchase a Camera and, in such event, you may be required to take action to purchase, obtain and/or maintain Camera software or related licenses.

- (b) Inventory Capture Training. Before commencement of use of the Inventory Capture System, Franchisee must complete the Inventory Capture System training program (the “Inventory Capture Training”) which sets forth the functions of the Inventory Capture System. Unless otherwise agreed in writing by CRDN, such Inventory Capture Training must be completed as part of Initial Training (see Article 7.1 below). Additionally, successful completion of the optional full-service contents restoration training also will satisfy this requirement. All employees and/or representatives of the Franchisee that will utilize and perform any function of the Inventory Capture System, must complete in the Inventory Capture Training. Franchisor reserves the right to provide any and all portions of the Inventory Capture Training electronically via video or otherwise. All Inventory Capture Training must be completed to CRDN’s satisfaction as evidenced in such manner as Franchisor then-currently requires. All trainees of the Inventory Capture System are subject to the requirements of confidentiality, non-disclosure and non-competition as set forth in this Agreement including Article 2.7 hereof or otherwise.
- (c) Inventory and Replacement Pricing Services. The Inventory Capture System includes the performance of inventorying and replacement pricing services (“Inventory Replacement Pricing Services”). Franchisee must utilize such third party service provider(s) and/or such TPP(s) as CRDN may designate for the performance of some or all Inventory Replacement Pricing Services (each a “Third Party Inventory Pricer”), the list of which is subject to change in Franchisor’s sole discretion as implemented through amendments or revisions to Franchisor’s Operations Manual. Franchisee may need to take action to obtain and/or maintain software or other related licenses to carry out the Inventory Replacement Pricing Services.
- (d) Inventory Replacement Pricing Fees. In connection with the Inventory Replacement Services and the Inventory Capture System, Franchisee is subject to fees (each an “Inventory Replacement Pricing Fee” and collectively, the “Inventory Replacement Pricing Fees”) as set forth below and as otherwise described in the Software License Agreement.
  - i. As part of the Inventory Capture System, Franchisee must provide an itemized inventory of each partial or full job/loss (each an “Inventory”), if/as requested. Franchisee may provide an Inventory utilizing the In-Field Job Processing System (preferred method). Alternatively, Franchisee may utilize a Third Party Inventory Pricer to dictate or otherwise capture an Inventory and be assessed an “Inventory Dictation Fee” therefor. The amount of the Inventory Dictation Fee will vary based upon the number of items in the applicable Inventory and will be assessable per call to/connection with such Third Party Inventory Pricer.

- ii. Each Inventory must be provided in a specific format and in the event an Inventory is not provided in the correct format (a “Non-Compliant Inventory”), an “Inventory Transcription Fee” will be assessed to correct any such Non-Compliant Inventory’s format. The amount of the Inventory Transcription Fee will vary based upon the number of items in the Inventory and will be assessable per non-compliant Inventory submitted to a Third Party Inventory Pricer.
- iii. In connection with Inventory repricing requests, an “Inventory Replacement Analysis Fee” is payable each time a Third Party Inventory Pricer analyzes an Inventory to determine the costs and/or sources of replacement items in such Inventory (each, an “Inventory Replacement Analysis”). The amount of the Inventory Replacement Analysis Fee will vary based upon the number of items in the Inventory and will be assessable per Inventory Replacement Analysis performed.
- iv. The current amounts of the Inventory Replacement Pricing Fees will be set forth in the Operations Manual or as otherwise provided in writing by CRDN and may be determined on a per-job basis by the applicable Third Party Inventory Pricer. The Inventory Replacement Pricing Fees shall be invoiced by CRDN within seven (7) days following the receipt of an invoice therefor from CRDN or an applicable Third Party Inventory Pricer.
- v. We will draft all applicable Inventory Replacement Pricing Fees from your bank account via EFT weekly, in the same manner as your Royalties. If this Agreement is executed in connection with Franchisee’s initial purchase of a CRDN franchise, the Inventory Replacement Pricing Fees are due commencing on the Commencement of Operations Deadline. For all others, including upon renewal, the Inventory Replacement Pricing Fees are due commencing upon the first week following completion of the Inventory Capture Training or upon the first performance of an inventory dictation or Inventory Replacement Analysis on behalf of Franchisee (in the event Inventory Capture Training was previously completed and/or waived).
- vi. The amount of each Inventory Replacement Pricing Fee and/or collection period therefor (i.e. weekly, monthly, etc.), may change from time to time at Franchisor’s discretion. Any such modification to any Inventory Replacement Pricing Fee will be implemented through amendments or revisions to the Operations Manual. If any Inventory Replacement Pricing Fee is modified, Franchisor will provide Franchisee with thirty (30) days’ notice of the change prior to implementation.

2.10.10 Fees Non-Refundable. The fees listed in Article 2.10 above shall be fully earned by Franchisor and non-refundable when paid and unless otherwise specifically stated all such fees are subject to change upon thirty (30) days prior notice to Franchisee.

2.11 Outstanding Royalties and Fees of Predecessor. In the event you were awarded your franchise as the result of your purchase of all or substantially all of the assets of the Franchised

Business owned by a previous franchisee in the applicable territory, you promise to pay us the following fees if they are not timely paid by your predecessor:

- (a) Our current transfer fee to defray expenses we incur in the Transfer (as defined in Article 12.1 herein), and
- (b) All Royalties, Fund contributions, fees, late payments, interest and amounts owed for purchases from us.

2.12 Fees Non-Refundable. Unless otherwise set forth herein, Franchisee agrees that any and all fees required under this Agreement are non-refundable after payment thereof. All fees or other amounts listed in this Agreement are exclusive of applicable taxes.

2.13 Fees for Optional Programs. Franchisee acknowledges that any Optional Programs may require additional fees, performance obligation, training and additional training fees.

2.14 Fee Adjustments for Underpayment. Franchisee agrees to pay to CRDN, within ten (10) days after receipt of written notice, any amount due to CRDN as determined by either (a) the financial statements or reports prepared by Franchisee's certified public accountant as required by the terms of this Agreement, or (b) the audit inspection performed by CRDN's authorized agent in accordance with Article 5.9 herein. If any examination discloses any underpayment of the amounts required to be paid to CRDN, then Franchisee shall pay, in addition to the amount owed, Late Payment Fees and Late Payment Interest as provided in Article 2.4 above.

2.15 Shipping and Taxes. You must pay us, our affiliates, or our respective suppliers or vendors, as the case may be, any and all shipping, freight, insurance, taxes, customs, duties and other expenses incurred for the shipment of any goods or products, including by way of example only, any Tablet(s), and any or all other machinery, equipment or other items for your Franchised Business, together with any and all applicable taxes applicable thereto, as well as any storage fees, including short-term or long-term storage fees, on such items (collectively, "Shipping and Taxes"). Any such goods may be shipped to you by from any location, by any means of transportation, and at such date and time as we may determine. All risk of loss or damage shall be borne by you when the shipment leaves our warehouse or the warehouse of our affiliates, or our respective suppliers or vendors. Unless otherwise stated, all items shipped are F.O.B. our designated warehouse or the warehouse of our affiliates or our respective suppliers or vendors. Title to the goods shall not pass to you until the applicable supplier thereof has received payment in full of the purchase price of the goods. Upon delivery of the goods, we or our affiliate, as applicable, shall acquire a purchase money security interest in them unless or until paid in full. We also reserve the right to collect any applicable Shipping and Taxes from you and pay them to appropriate authorities as applicable. Shipping and Taxes will be due in full immediately upon your receipt of an invoice for such fees, or as otherwise incurred by you. We and our affiliates will not be liable for loss or damage due to delay in delivery resulting from any cause beyond our/its reasonable control, including, but not limited to, compliance with any regulations, orders or instructions of any federal, state or municipal government or any department or agency thereof, acts or omissions of you, acts of civil or military authority, fires, strikes, lockouts, embargoes, delays in transportation, and inability due to causes beyond our or our affiliates control to obtain the necessary products or parts. In no event shall we or our affiliates, as applicable, be liable for

financial loss, including consequential or special damages on account of delay due to any cause. Shipping and Taxes are fully earned by franchisor and non-refundable when paid.

2.16 Failure to Pay as Ground for Termination. Franchisee acknowledges that this Article 2 does not constitute an agreement to accept any payments after they are due or a commitment to extend credit to, or otherwise finance, the operation of, the Franchisee or the Franchised Business. Notwithstanding the provisions of this Article 2, your failure to pay any and all amounts when due constitutes grounds for termination of this Agreement as provided in Article 13.2.

2.17 Additional Penalty for Failure to Timely Pay Fees. Franchisee hereby acknowledges that fees and Royalties set forth herein are used, in part, to fund programs established under this Agreement and the Operations Manual. In addition to any other rights of CRDN hereunder, CRDN has the right to withhold all services, including the use of the Franchise Management System, and work from any and all Customers within the Franchised Business, in the event Franchisee fails to promptly pay all sums due to CRDN hereunder.

### **ARTICLE 3: TERRITORY**

3.1 Franchise Territory Defined. The territory for which your Franchised Business is granted shall be the “Franchise Territory” as described in Exhibit A attached hereto and incorporated herein by reference.

3.1.1 Description of the Franchise Territory. The Franchise Territory is described in Exhibit A using geographical and/or political boundaries, such as counties, cities, zip codes, census tracts, travel related boundaries (i.e., roads, waterways, etc.) and/or a combination thereof. In the event these geographical and/or political boundaries are modified by applicable authority, CRDN shall re-describe the Franchise Territory using such modified boundaries and maintaining as closely as possible the original geographic size and shape of the Franchise Territory by giving due consideration to any adjoining franchise territories. Additionally, in such event, to the extent such modifications result in a modification to the number of your awarded Targeted Households, your Targeted Households shall automatically, and without further consideration or documentation, be deemed to be amended to equal the modified total Targeted Households. CRDN may not modify the Franchise Territory without the written consent of Franchisee.

3.1.2 Number of Targeted Households in Franchise Territory. Depending on the number of Targeted Households Franchisor has agreed to award you, Franchisor, in its sole and absolute discretion, may elect to either: (a) award all such Targeted Households as part of the Franchise Territory under this Agreement; or (b) require Franchisee to enter into one or more separate franchise agreements for the operation of additional CRDN franchises to include all Targeted Households. In the event Franchisor elects option (b) in this Article 3.1.2, Franchisor shall have the ultimate authority to define the franchise territories to be awarded under each franchise agreement and to the divide and designate all Targeted Households as it deems appropriate.

3.1.3 No Obligation to Award More than One Franchise Territory. Franchisor is not obligated to, and nothing in this Agreement, including without limitation Article 3.1.2, shall be construed to obligate Franchisor to award more than one CRDN franchise to any one franchisee.

3.1.4 Targeted Households Updates. CRDN reserves the right to automatically update your Targeted Households count/total in accordance with modifications to information received and relied upon by appropriate federal or other government sources including, but not limited to, the United States Census Bureau; provided, however, that the Initial Franchise Fee calculations shall not be modified by any such update(s).

3.2 Location of Customers. You are subject to and shall comply with various marketing and servicing terms and conditions as described below.

3.2.1 Marketing. Except as otherwise set forth in this Agreement, you may market, including all forms of solicitation, your Franchised Business and the Franchise Services, to all persons and entities including, without limitation, insurance adjusters, general contractors or re-construction services, contents cleaning companies, third-party administrators, and other customers (collectively, "Customers") geographically located inside your Franchise Territory. Without the prior written consent of CRDN, you may not market outside of your Franchise Territory even if such marketing is done: (i) in an area which has not been awarded to another CRDN franchisee (an "Unowned CRDN Territory"); or (ii) to Customers that work within and/or service any or all areas inside your Franchise Territory.

3.2.2 Servicing. You may perform Franchise Services for Customers geographically located inside and outside of your Franchise Territory. The foregoing notwithstanding, in the event you receive any referrals for the provision of Franchise Services for Customers outside of your Franchise Territory and such Customers are located in a territory which has not been awarded to another CRDN franchisee, then you may service such Customers as part of the Franchised Business; provided, however, that in the event the implicated territory is later awarded to another CRDN franchisee ("Subsequent CRDN Franchise Owner"), then you must immediately cease servicing, and turn over, such Customers to the Subsequent CRDN Franchise Owner. Your Franchise Territory may contain Customers that are currently being serviced by other CRDN franchisees.

You may perform Franchise Services for Customers geographically located inside and outside of your Franchise Territory. The foregoing notwithstanding, in the event you receive any referrals for the performance of Contents Restoration Services for Customers outside of your Franchise Territory and such Customers are located in an Unowned CRDN Territory, then you may service such Customers as part of the Franchised Business; provided, however, that in the event the Unowned CRDN Territory is later awarded to another CRDN franchisee (the "Subsequent CRDN Franchise Owner"), immediately upon activation of such Subsequent CRDN Franchise Owner, you must introduce such Customers to the Subsequent CRDN Franchise Owner so that such Customers may utilize the Subsequent CRDN Franchise Owner if such Customers so choose. The foregoing notwithstanding, so long as Franchisee is not soliciting and/or marketing to Customers outside of the Franchise Territory (in violation of Article 3.2.1 of this Agreement), if Franchisee receives referrals for jobs/claims from the Customers in the territory of a Subsequent CRDN Franchise Owner, Franchisee may service such jobs/claims. Your Franchise Territory may contain Customers that are currently serviced by other CRDN franchisees.

3.2.3 Regional and National Account Marketing. You may not market or build any regional or national account relationship without CRDN's prior consent. Further, you acknowledge and

agree that any such regional or national account relationship shall be managed by CRDN, in accordance with Article 1.5 hereof, for the benefit of the Franchise System.

3.2.4 No Duty of Franchisor to Police or Monitor. You acknowledge and agree that Franchisor has no duty or liability to any party whatsoever with respect to monitoring and/or regulating the activities related to marketing and/or servicing of Customers allegedly performed by any other CRDN franchisee and/or any third party in your Franchise Territory. Provided, however, that upon receipt of written notification from you of any allegations of improper or unauthorized activities related to marketing and/or servicing of Customers in your Franchise Territory, CRDN will use its best efforts to investigate such allegations and take all action, if any, that CRDN deems appropriate and necessary, in its sole and absolute discretion, to ensure all CRDN franchisees adhere to all applicable terms and conditions relating to marketing and servicing of Customers as part of the Franchise System. Any monitoring and/or regulating of such actions provided by Franchisor shall be at Franchisor's sole and absolute discretion and shall be provided solely on a voluntary basis.

3.3 Establishment and Location of Franchised Business Facilities. Franchisee must locate any office, processing plant, warehouse/storage facility, or any other facility through which any aspect of the Franchised Business is operated within the Franchise Territory, unless Franchisor agrees otherwise in writing. Nonetheless, any such approval shall not, under any circumstances, entitle Franchisee to any franchise rights outside of the Franchise Territory.

If you do not currently have an Existing Business or otherwise need to establish a processing plant for the performance of CRDN Services ("CRDN Processing Plant"), within ninety (90) days from the effective date of this Agreement, you will be required to establish such CRDN Processing Plant in accordance with our then-current requirements as set for in the Operations Manual or otherwise provided to you in writing. Franchisor must approve the CRDN Processing Plant location and facility specifications, but will not provide any site selection, lease negotiation or other related services in connection with securing a CRDN Processing Plant. You will be obligated to furnish any CRDN Processing Plant with such machinery as equipment as we require, the current list of which will be provided in the Operations Manual or otherwise by us. The establishment of a CRDN Processing Plant will be part of the Pre-Activation Requirements, as set forth in Article 5.1 hereof.

3.4 Other Facilities within Franchise Territory. Other CRDN franchisees may, upon CRDN's approval, establish facilities for operating their CRDN franchise within the Franchise Territory. This right is limited to the location of the facilities and any such CRDN franchisee will have its own unique territory in which it will have the sole right to market Customers and it too will be subject to the same and/or similar marketing and servicing requirements and restrictions as Franchisee.

3.5 Leased Facilities. If you plan to or currently lease a plant, warehouse or any other type of facility through which any aspect of the Franchised Business is operated, ("Facility Lease"), prior to the execution of any initial or subsequent renewals or extension(s) of a Facility Lease, CRDN reserves the right to review and consent to such Facility Lease.

3.5.1 Lease Specifications. Unless you obtain fee simple title to the plant, warehouse or any other type of facility through which a Franchised Business is operated, the Facility Lease shall include the following covenants:

- (a) The landlord of the Facility Lease ("Landlord") shall deliver to CRDN, simultaneously with delivery to Franchisee, any notice alleging your default under the Facility Lease which threatens or purports to threaten your occupancy rights or termination of the Facility Lease, or result in foreclosure thereof;
- (b) CRDN may enter the Franchised Business plant, warehouse or any other type of facility through which a Franchised Business is operated to protect the Marks or the CRDN Franchise System or to cure any alleged default under the Facility Lease or to cure any default under this Agreement;
- (c) Franchisee may assign the Facility Lease to CRDN without any fee or modification of the Facility Lease and CRDN may assign the Facility Lease or license or sublease the Franchised Business plant, warehouse or any other type of facility through which a Franchised Business is operated for any part of the remaining term of the Facility Lease, each by providing Landlord at least ten (10) days' prior notice. Landlord must agree that CRDN may become the tenant under the Facility Lease in the event of a default under this Agreement, a default under the terms of the Facility Lease or any other reason and must accept notice from CRDN as evidence of such assignment; and
- (d) Landlord and Franchisee shall not amend the Facility Lease in any way that is inconsistent with this Agreement.

3.5.2 Notice Obligations. Following execution of the Facility Lease and Franchisee's compliance with Article 3.4.1, Franchisee further agrees to:

- (a) Deliver to CRDN, immediately after delivery to or by Franchisee, any notice of default under the Facility Lease which threatens or purports to terminate the Facility Lease or Franchisee's rights of possession under the Facility Lease or which could result in a foreclosure thereof;
- (b) Permit CRDN to enter the Franchised Business plant, warehouse or any other type of facility through which a Franchised Business is operated to protect the Marks or the Franchise System or to cure any default under this Agreement or the Facility Lease, all at Franchisee's expense; and
- (c) Not amend, restate, supplement or otherwise modify the Facility Lease in any way inconsistent with the terms of this Agreement.

3.5.3 Execution. You covenant and represent that the Facility Lease as consented to by us shall be executed by all necessary parties within ten (10) days following receipt of CRDN's consent. If requested by CRDN, you shall furnish a complete copy of the fully executed Facility Lease to CRDN within ten (10) days of its execution.

3.6 Limitation on Franchise Territory. Except as otherwise set forth in this Agreement, during the Initial Term or the Successor Term of this Agreement, neither CRDN nor any affiliate of CRDN shall operate a CRDN franchise or perform any CRDN Services within the Franchise Territory. Provided, however, that during the Initial Term or the Successor Term of this Agreement, (a) CRDN or any affiliate of CRDN may provide services to the insurance industry or to general

contractors in the Franchise Territory provided that such services may not include Textile Restoration Services, and (b) if Franchisee is not compliant with any and all terms of this Agreement, CRDN, any affiliate of CRDN, or any such third party as CRDN has authorized, may provide CRDN Services within the Franchise Territory.

#### **ARTICLE 4: TERM AND RENEWAL OF FRANCHISE**

4.1 Term. This Agreement and the rights granted to Franchisee hereunder shall be for an initial term of ten (10) years ("Initial Term").

4.2 Renewal. Upon expiration of the Initial Term, Franchisee may renew this Agreement for one (1) successive ten (10) year renewal term (the "Successor Term"), provided that the following conditions are met:

- (a) Franchisee gives written notice to renew at least ninety (90) days, but not more than one hundred eighty (180) days, prior to the expiration date of the Initial Term (the "Notice Period"), as applicable;
- (b) Franchisee has paid all amounts due and payable under this Agreement, including, without limitation, any fee due under Article 2 herein;
- (c) Franchisee has remained throughout the Initial Term, substantially in compliance with the terms of this Agreement and is in compliance as of the date of renewal;
- (d) Franchisee replaces, at its sole expense, any equipment (including any computer equipment) used in operating the Franchised Business so as to comply with the then-current requirements for new franchisees and then-existing Systems Standards (as defined in Article 11.1 herein);
- (e) Franchisee executes a release, in a form prescribed by CRDN, of any and all claims (except for claims which cannot be released pursuant to an applicable franchise law statute) against CRDN and its subsidiaries and affiliates, and their respective members, managers, shareholders, officers, directors, employees, agents, and attorneys; and
- (f) Franchisee executes a new franchise agreement and any other ancillary documents (collectively, the "Successor Agreement") then currently and customarily used by CRDN in granting new franchises. The terms and conditions of the Successor Agreements may differ materially from the terms of this Agreement.

4.3 CRDN's Refusal to Award Successor Term. Notwithstanding the Franchisee's renewal right as set forth in Article 4.2 above, Franchisee shall not have the right to a Successor Term if:

- (a) Franchisee is not, during the Notice Period, in substantial compliance with the terms of this Agreement, including Section 4.2, or any other ancillary agreement then in effect between you and Franchisor;



- (b) Franchisee has received written notice by us three (3) or more times during the last five (5) years of the Initial Term for failure to comply with the terms of this Agreement and was in violation of its obligation(s), whether or not such failure was subsequently cured; or
- (c) Franchisee has repeatedly failed to make timely payment to us of all sums when due to us.

4.4 Successor Term Fee. For each Successor Term, you promise to pay us twenty percent (20%) of the then current Fixed Licensing Fee and the Territory Fee upon execution of the Successor Agreement (the "Successor Term Fee"). The Territory Fee will be calculated based on the then current household demographic count and the payment plan you elected for the Initial Term of your Franchise Agreement. Minimum Monthly Gross Sales requirements will be determined in accordance with Article 2.6 above. The annual fixed fee will be the then current Annual Fixed Fee.

## **ARTICLE 5: OPERATIONAL OBLIGATIONS**

5.1 Commencement of Operations. Franchisee acknowledges and agrees that Commencement of Operations, as defined below, must occur within six (6) calendar weeks from the date of completion of Initial Training (the "Commencement of Operations Deadline"). In the event you fail to meet the Commencement of Operations Deadline, Franchisor, in its sole and absolute discretion, may elect to terminate this Agreement in accordance with Article 13.2(a) below. In the event you fail to meet the Commencement of Operations Deadline, and Franchisor does not elect to terminate this Agreement, the calendar date of the Commencement of Operations Deadline shall nonetheless be treated as the commencement/accrual date for any fees, monetary obligations, and/or other terms of this Agreement that would have commenced on such date. As a condition precedent to Franchisor's approval for such Commencement of Operations, Franchisee must have completed all "Pre-Activation Requirements" as set forth in the Operations Manual, including but not limited to: completion of Initial Training; satisfactorily passing such background investigation as CRDN may perform; successful completion of Initial Training (as defined in Article 7.1 below); securing your CRDN Phone Number; obtaining all requisite insurance coverage described in Article 11.3 herein; acquiring an approved DBA from CRDN which is registered with your applicable authority; submitting an EFT authorization form; payment of any initial Credentialing and Compliance Fees (as defined in Article 11.1 below); and submitting all other necessary documentation and providing such necessary assistance and information to us to enable you to service Customers.

In the event you do not have an Existing Business (defined below) or otherwise have adequate dry cleaning and/or textile restoration experience to operate the Franchised Business, as solely determined by CRDN, you will be required to attend dry cleaning training ("Dry Cleaning Training"). The Dry Cleaning Training must be performed by the then-currently approved industry dry cleaning training provider or CRDN, at CRDN's sole election, and will span approximately fifteen (15) days. Unless otherwise agreed or arranged, you must attend the next-scheduled Dry Cleaning Training session following the effective date of this Agreement. If required, such Dry Cleaning Training will be at your sole and exclusive expense, and will be considered part of the Pre-Activation Requirements. Also, if you are required to establish a CRDN Processing Plant, you must do so as part of the Pre-Activation Requirements. If you need to establish a CRDN

Processing Plant and/or attend Dry Cleaning Training, Franchisor may, in its sole discretion, agree to extend the Commencement of Operations Deadline for such length of time as Franchisor Agrees in writing.

For purposes of this Agreement, "Commencement of Operations" shall mean the date when Franchisor has received satisfactory proof that Franchisee has completed all Pre-Activation Requirements and Franchisee is activated by Franchisor to operate the Franchised Business and perform CRDN Services within the Franchise System.

5.2 Operational Corporate Structure. The Principal Owner hereby represents and warrants that the Franchisee Entity is a corporation (the term "corporation" shall be deemed to include a limited liability company, partnership or any other type of entity, as applicable) formed in accordance with applicable law and duly authorized to do business in the jurisdiction(s) in which the Franchise Territory is located and operating.

5.2.1 Deadline for Formation of Franchisee Entity. In the case where Franchisee Entity is not a presently existing corporation, Principal Owner shall form such corporation within thirty (30) days of effective date of this Agreement and shall cause such corporation to ratify this Agreement and otherwise assume the obligations of Franchisee under this Agreement.

5.2.2 Restrictions on Franchisee Entity Name. In no event shall the corporate name of the Franchisee Entity include "CRDN," "Certified Restoration Drycleaning Network," or any of the Marks of CRDN.

5.2.3 Operation under DBA. The Franchised Business, including any Optional Programs, shall be operated under the Franchisee Entity and under its DBA (defined below). In addition, all System Standards and any other requirements of this Agreement must be fulfilled by the Franchisee Entity and so fulfilled under its DBA.

5.2.4 Ownership Requirements. All shares of stock (or other ownership interests, as applicable) of Franchisee Entity shall be held solely by Principal Owner and any Transfer of such shares shall be subject to the provisions of Article 12 of this Agreement and all stock (or other ownership interests) certificates shall include the following legend: "The transfer of this stock is subject to the terms, conditions, and restrictions of a Franchise Agreement with Certified Restoration Drycleaning Network, LLC." Additionally, unless otherwise agreed by Franchisor, each Principal Owner hereunder and all other owners of the Franchisee Entity must execute a personal guaranty of the performance of the Franchisee Entity as set forth in Exhibit G attached hereto and incorporated herein by reference. Franchisee must complete all information relating to the Franchisee Entity structure as required in Exhibit F attached hereto and incorporated herein by reference. Franchisee must notify CRDN of any proposed modifications in the structure, ownership interests, operations or any other changes to Franchisee Entity and CRDN must approve of any such changes in writing. Any such modification to Franchisee Entity made without CRDN's approval shall be deemed an event of default under this Agreement.

5.3 DBA. The Franchisee Entity agrees to assume the assumed name/doing business as designation ("DBA") that we approve in the operation of the Franchised Business. In the event of a new CRDN franchise, the DBA request for approval and registration processes set forth in the Pre-Activation Requirements must be strictly adhered to prior to the Commencement of Operations. In the event of any modifications or additions to an existing DBA, Franchisee must obtain Franchisor's prior written approval through our DBA modification process and then must

comply with any state or local DBA registration requirements. We may approve or not approve such DBA at our sole and absolute discretion. Once your DBA has been approved by the applicable local authority, you must submit proof of same to us, and subsequent thereto, all official documentation, legal filings or affidavits must be made, and any new marketing materials for the Franchised Business must be ordered and displayed, using the newly approved DBA. In the event of modifications and/or additions, you will have one hundred twenty (120) days to have all business items ordered with the modified/new DBA, including but not limited to business cards, letterhead, envelopes, note pads, pens, printed forms, uniforms, vehicle logos, building signage, pickup bags and rush bags, etc. Additionally, voicemail and on-hold messages, web sites, PowerPoint, or other printed presentations, email signatures and DVD/CD-Roms, must also reflect the modified/new DBA name within one hundred twenty (120) days of the execution of this Agreement. Telephone directory listing (yellow pages, claims pages, etc.) or other annual advertisements, must be changed upon renewal of same. For new CRDN franchisees, the DBA approved as part of the Pre-Activation Requirements must be used immediately upon Commencement of Operations and throughout the Initial Term or the Successor Term of this Agreement, unless modified in accordance with the provisions of this Article 5.3.

5.4 Services and Prices Offered. During the Initial Term or the Successor Term of this Agreement, Franchisee agrees to offer all services that we designate as required for CRDN franchisees including the CRDN Services. The current required services that you must provide are Textile Restoration Services and any ancillary services, including by way of example only dry cleaning, and Inventory Capture Services, needed to perform and/or complete such textile restoration dry cleaning services, along with all other services that we periodically require as outlined in the Operations Manual, which may be updated from time to time, in accordance with our System Standards. Franchisee must only offer CRDN Services to Customers within the Franchise Territory as outlined in the Operations Manual and in accordance with all System Standards. Franchisee may also engage in Optional Programs in accordance with any qualification and/or requirements separately prescribed for such Optional Programs in Franchisor's sole and absolute discretion. With the exception of any standard retail drycleaning and/or laundry services business (collectively, "Existing Business"); Franchisee shall not engage in any other business activity which is not directly related to this Agreement unless specifically agreed to in writing by Franchisor provided, however, the Parties agree that the foregoing restriction shall only extend and apply to business activity that is performed on account of or in connection with a Competitive Business, as such term is defined in Article 10.1(a) of this Agreement. Further, Franchisor acknowledges and agrees that any revenues derived from any Existing Business that are not received in connection with or on account of the Franchised Business shall not be deemed part of Gross Sales, as defined in Article 2.5 of the Franchise Agreement, from which, among other fees, Royalties and Fund Fees are derived. Franchisor also acknowledges that the non-competition covenants in Articles 10.1 and 14.2 of the Agreement is not applicable to any Existing Business.

To the extent permitted by applicable law, we reserve the right to specify in writing a retail price and/or to establish in writing minimum and/or maximum prices for the goods and services that you sell. You shall sell any goods and services at the specified retail price or, if applicable, in accordance with the minimum and/or maximum retail prices established by us from time to time. Where no retail price or maximum or minimum prices has been specified or established by us with respect to a particular good or service, you may sell such applicable good or service at any reasonable price you choose. You acknowledge and agree that the specified retail price and maximum and minimum prices for goods and services that you and other franchisees sell may vary

from region to region to the extent necessary in order to reflect differences in costs and other factors applicable to such regions.

5.5 Operation of Franchised Business and Compliance with Operations Manual. Franchisee, including at least one Principal Owner (if there is more than one individual serving as Principal Owner) or his/her Designated Representative (as defined in Article 7.11 below) who has been approved by CRDN, agrees to: carry on, conduct and operate the Franchised Business on a full-time basis, in accordance with good business practices and the System Standards and policies of CRDN set forth in the Operations Manual; to maintain such records and furnish such reports to CRDN as are set forth in this Agreement and in the Operations Manual; to acquire, retain and own, during the term of this Agreement, all assets determined by CRDN to be reasonably necessary for the operation of such business, including but in no way limited to a processing plant and a storage facility both of adequate size and nature to facilitate operation of the Franchised Business; and, to conduct no business other than the Franchised Business from the location of Franchisee's operation with the exception of your standard retail drycleaning and/or laundry business. Franchisee agrees to at all times comply with any and all modifications made to any System Standard, as set forth in greater detail in Article 11 herein, or the Operations Manual, within sixty (60) days' notice thereof from CRDN.

All employment related decisions and obligations, including, without limitation, hiring, firing, training of all non-management employees, supporting, advising, disciplining, determining and administering wages, hours, and benefits, and providing employment related material and documentation, are the sole responsibility of Franchisee alone. Further, Franchisee must inform all employees that Franchisor is not their employer or joint employer, and that only Franchisee is their employer. Any training, material, processes and/or procedures related to the activity of any employee of Franchisee (collectively, "Employee Material") provided by Franchisor or any affiliate of Franchisor to Franchisee or any employee of Franchisee shall be deemed optional and not mandatory. It is the obligation of Franchisee to determine to what extent, if any, Employee Material applies to Franchisee's Franchised Business. Franchisor is not the employer of any Franchisee or any Franchisee employees.

5.6 Name Change upon Termination. Upon termination or expiration of this Agreement, Franchisee shall immediately cease to use, and shall take such steps as are necessary to notify the public and to withdraw from any public records, any and all use of the Marks, tradenames, logos, or corporate name (or portions thereof) of CRDN, including without limitation the DBA.

5.7 Reports; Financial Statements; Records. At all times, Franchisee must use CRDN's the Franchise Management System for maintenance of Customer records for the Franchised Business. In addition, you promise to establish and maintain, at your expense, an electronic accounting system that conforms to the requirements and formats that, from time to time, we prescribe in the Operations Manual. You promise to furnish us, in the manner and format that we require:

- (a) A Royalty report for each week;
- (b) Immediately upon our request, a complete list of all Customers;
- (c) Within ten (10) days of our request, during the first two (2) years from the Commencement of Operations of the Franchised Business, an un-audited income

statement for the preceding calendar quarter, in a form satisfactory to us, and such additional reports as we may require;

- (d) Within ninety (90) days after the close of your fiscal year, a complete income statement as well as an Internal Revenue Service Form 1099 and/or any other applicable tax forms from each Customer, where applicable;
- (e) Within ten (10) days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the Franchised Business, as well as the state, federal and other income tax returns from your existing drycleaning business(es), which we may need to review to assure all Gross Sales have been accurately reported. We shall treat this tax information as your confidential information;
- (f) You promise to verify and sign each report and financial statement in the manner that we prescribe. We can disclose data derived from these reports without specifically identifying you or the Franchised Business (unless we have your written consent to do so). We can require you to have audited financial statements prepared on an annual basis if you fail to comply with any provision of this Agreement;
- (g) You hereby consent to us obtaining, using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by us or disclosed to us, whether through the Franchise Management System or otherwise, in accordance with this Agreement; and
- (h) You promise to maintain all records, reports, and financial statements during the term of this Agreement and for a period of five (5) years thereafter, or such other time period as required by law.

5.8 Right to Inspect. CRDN shall have the right at any time during business hours to do an on-site inspection of Franchisee's business at its principal office as well as any other locations through which the Franchised Business operates. During such inspection, CRDN may participate in quality checks of field services, interview employees, review any and all components of the Franchised Business including without limitation, any and all books and records, promotional materials and media advertising, personnel files and practices, the restoration job files, Customer files, your copy of the Franchise Management System, your electronic accounting system and other computer systems that you maintain in connection with the operation of the Franchised Business. Franchisee shall cooperate fully with CRDN in any inspection of the Franchised Business and CRDN shall to use best efforts to not interfere with its operation.

5.9 Right to Audit. With respect to the Franchised Business and any other business operated in connection with or in support of the Franchised Business, CRDN has the right at any time during business hours, to inspect and audit, or cause to be inspected and audited, any and all financial statements, reports, ledgers, income tax records, sales tax records, payroll records, software databases, Internal Revenue Service Form 1099s and/or other tax forms from all Customers and other records. You promise to cooperate fully with CRDN's representatives and any independent auditors and/or accountants hired by CRDN to conduct any such inspection or audit.

5.9.1 Understatement Revealed by Audit. If any inspection or audit discloses an understatement resulting out of actions including, but in no way limited to, hiding, omitting, wrongfully discounting, underreporting or understating Gross Sales, failing to record Gross Sales in the appropriate location or manner or manipulating Gross Sales in an effort to avoid assessment of any Royalty or other fees under this Agreement, then CRDN is authorized to debit your account for the Royalty and Fund payments due on the amount of the understatement, plus Late Payment Fees and Late Payment Interest, as described in Article 2.4 above, assessable upon 100% of such payments, from the date originally due until the date of payment. If an understatement of Royalty is greater than five percent (5%) of the total Royalty due on the actual Gross Sales for the audit period, you also must pay us an additional fee equal to ten percent (10%) of the total amount of the understated Gross Sales. In the case that a payment has not been recorded at all, CRDN will use the date that the inspection or audit is performed as the date of payment and assess all Late Payment Fees and Late Payment Interest from such date.

5.9.2 Inspection or Audit Cost Reimbursement. If an inspection or audit is made necessary by Franchisee's failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or to provide the necessary assistance and access to materials and information in connection with any inspection or audit, or if an understatement of Royalty for any period reviewed is greater than five percent (5%) of the total Royalty due on the actual Gross Sales during such period, then Franchisee shall reimburse CRDN for any and all costs of the inspection or audit, including without limitation, the fees and expenses of attorneys and independent accountants, compensation of CRDN's employees involved in the inspection or audit and the travel expenses and room and board for all persons involved in the actual/physical inspection or audit.

5.10 Copies of Books and Records. Franchisee agrees to allow CRDN or its designated representative to copy records of any kind related to the operation of the Franchised Business and any other business operated in connection with or in support of the Franchised Business, and to remove such copies from Franchisee's premises. Franchisee shall cooperate in CRDN's inspection and copying, including directing CRDN's designated representative to the records, responding fully to all inquiries with respect to them, and allowing reasonable use of photocopiers and any equipment necessary to read or copy information on magnetic or similar media.

5.11 Compliance with Law. Franchisee shall obtain and maintain in effect all required licenses, permits and certificates related to the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable federal, state and local laws, ordinances, by-laws and regulations, including without limitation all government regulations related to: (1) licensing and certification; (2) occupational hazards and health; (3) handling, storage, and disposal of chemicals and other materials of a similar nature; (4) privacy and electronic commercial messaging; (5) environmental matters; (6) workers' compensation; (7) insurance; (8) employment insurance and withholding; and (9) payment of federal and state income taxes, Social Security taxes, and sales taxes and other required withholdings and remittances. Additionally, Franchisee must comply with all state and federal labor and employment laws, including, but not limited to, the Fair Labor Standards Act, Family and Medical Leave Act, Occupational Safety and Health Act, Employee Retirement Income Security Act, Title VII, Age Discrimination in Employment Act, and the Affordable Care Act.

5.12 Quality Surveys. Franchisee shall submit to CRDN, or its designee, Customer job information in a format specified by CRDN for the purposes of conducting Customer satisfaction

surveys. CRDN may reveal the results of such surveys to insurance company representatives and in its advertising.

5.13 Brand Identity Program. Franchisee shall comply with any brand identity programs instituted by CRDN and acknowledges that such programs may include mandatory standard employee apparel or uniforms, vehicle appearance and signage, office appearance and signage, and use of a CRDN approved Call Center service.

5.14 System Standards. At all times during the Initial Term and the Successor Term of this Agreement, you promise to operate and maintain your Franchised Business according to each and every System Standard, as amended, modified and supplemented from time to time by CRDN, in accordance with the terms of this Franchise Agreement including, without limitation, the terms of Article 11 hereof.

5.15 Supplier Arrangements. You agree to purchase all goods and services required for the operation of the Franchised Business from sources designated or authorized by CRDN, which may include or be limited to CRDN and/or its affiliates. In the event that any cash rebates, mark ups, volume discounts, concessions, advertising allowances, or discount bonuses (collectively "Discounts"), whether by way of cash, kind or credit, are available to or received by CRDN or its affiliates from any third party, whether or not on account of purchases made (i) by CRDN for its own account or for the account of Franchisee or franchisees generally, or (ii) by Franchisee directly for its own account, CRDN and/or its affiliates shall be entitled to retain the whole of the amount or any part of such Discounts.

## **ARTICLE 6: RELATIONSHIP OF PARTIES/INDEMNIFICATION**

6.1 Independent Contractor Status. You acknowledge and agree that under this Agreement you are and will be an independent contractor. Nothing in this Agreement will be construed so as to create a partnership, joint venture, or principal-agent relationship. Neither Franchisor nor Franchisee have any power to obligate or bind one another for any expenses, liabilities including contractual or otherwise, or other obligations, other than as is specifically provided for in this Agreement. Except as specifically provided in this Agreement, we may not control or have access to your funds or expenditures, or in any other way exercise dominion or control over the Franchised Business. The Franchisor is not, for any purpose or under any circumstance, an employer of Franchisee or an employer or joint-employer of any of Franchisee's employees. Franchisor does not have direct or indirect control over any employment decisions of Franchisee or Franchisee's employees and Franchisor is not responsible for, and does not have any authority over, the Franchisee's employment decisions. Franchisee has the sole authority and obligation to dictate and conduct the terms of employment for franchisee employees, including, without limitation, employee hiring, working hours, benefits, wages, and employment policies, and the day-to-day operations of its business. CRDN's human resources department ("CRDN HR") does not hire employees for franchisees, nor does CRDN HR provide legal advice or services. CRDN HR does provide Franchisees with support by sharing various templates for forms, job descriptions, sample confidentiality forms, and sample evaluation tools when available, but such materials are to be treated as samples only, suggestions, non-binding, and must be reviewed by Franchisee's legal and financial counsel prior to use and CRDN disclaims any and all liability related to such materials. You promise to identify yourself conspicuously in all dealings with Customers, suppliers, public officials, the Franchised Business' employees, and others, and in

the manner we prescribe, as the owner of the Franchised Business under a franchise that we have awarded and to place notices of independent ownership on the forms, business vehicles, stationery, and advertising, and other materials we require you to use from time to time.

6.2 No Liability for Acts of Other Party. Neither you nor we will make any express or implied agreements, warranties, guarantees, or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between you and us is other than that of franchisor and franchisee. We do not assume any liability, and will not be deemed liable for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement, for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business authorized by this Agreement.

6.3 Indemnification. You promise to protect, defend, and indemnify us and all of our past, present and future subsidiaries and affiliates, and all of their respective past, present, and future members, shareholders, direct and indirect parent companies, managers, officers, directors, employees, attorneys, representatives and designees (collectively, the "Indemnified Parties"), and hold the Indemnified Parties harmless from, against and with respect to any claim, liability, obligation, loss, damage, assessment, judgment, cost and expense (including, without limitation, reasonable attorneys' fees, costs and expenses reasonably incurred in investigating, preparing, defending against or prosecuting any litigation or claim, action, suit, proceeding or demand) (collectively, "Damages"), of any kind or character, arising out of or in any manner incident, relating or attributable to any alleged or actual act or omission of you or your employees or representatives involving the operation of the Franchised Business including by way of example only any labor or employment law violations. We agree to provide you with reasonable notice of and cooperate with you in connection with any claims for Damages, for which we will seek indemnification. Notwithstanding the above-stated indemnification, we agree to waive and release the Principal Owner(s) from personal responsibility for these indemnifications as they relate to third party claims, provided at the time of any event giving rise to an indemnification the insurance coverages required in Article 11.3 herein are maintained, and we are included as an additional named insured, and covered by the insurance.

## **ARTICLE 7: TRAINING PROGRAM**

7.1 Training Obligation. Before Commencement of Operations and as part of the Pre-Activation Requirements, Franchisee must complete the CRDN initial training regarding operation of the Franchise System (the "Initial Training"). You must attend the next scheduled Initial Training session (typically held quarterly) following the effective date of this Agreement or such other Initial Training session as agreed to by CRDN.

Registration for Initial Training for two (2) trainees ("Initial Trainees") is included as part of the Fixed Licensing Fee, and payable in accordance with the terms of Article 2.1 of this Agreement. One of the Initial Trainees must be one of the individuals defined as Principal Owner under this Agreement or his/her Designated Representative, and the other may be your full-time marketing person or other designee as approved by CRDN. You must complete the Initial Training to CRDN's satisfaction, and failure to do so will result in the termination of this Agreement. The Initial Training will be as many as five (5) days in duration at such location(s) as designated by CRDN which may include, without limitation, CRDN's corporate home office which is currently located in Berkley, Michigan, and any other facilities of CRDN's or CRDN's affiliates, and portions or all of the Initial Training may be provided virtually and/or electronically, all at



CRDN's discretion. Additionally, training for Optional Programs may be offered in coordination with the Initial Training.

If applicable, you must also complete any Dry Cleaning Training prior to Commencement of Operations (see Article 5.1 hereof).

Franchisee and only Franchisee is responsible to make and carry out all employment related obligations, including by way of example only, hiring, firing, discipline, wages, hours, benefits, etc. Any training, material, processes and/or procedures related to the activity of any employee of Franchisee provided to Franchisee or any employee of Franchisee by Franchisor shall be deemed optional and not mandatory and it is the obligation of Franchisee to determine to what extent, if any, such training, material, processes and/or procedures apply to Franchisee's Franchised Business. Franchisor is not the employer of any Franchisee or any Franchisee employees.

7.2 Additional Trainees. Franchisee may designate, with CRDN's approval and on a "space available" basis, additional persons to attend other sessions of the Initial Training ("Additional Trainees") for which Franchisee will be charged CRDN's then current Initial Training fee. In addition, each Additional Trainee will be required to execute CRDN's then current confidentiality and non-compete agreement prior to the start of the Initial Training. The Initial Training fee will be due and payable prior to the start of the program and Franchisee will be responsible for the payment of all travel and living expenses incurred by your designees while attending training.

7.3 Rescission. CRDN reserves the right, at any time prior to the end of the Initial Training described in Article 7.1 above and prior to the completion of the Pre-Activation Requirements, to rescind this Agreement if, as determined in CRDN's sole and absolute discretion, Franchisee fails to meet CRDN's performance standards as evidenced through evaluations determined by classroom training, and personal interviews and/or interactions. Franchisee agrees that if CRDN rescinds this Agreement pursuant to this Article 7.3, Franchisee shall nevertheless continue to be bound by all: confidentiality and proprietary information provisions set forth in Article 9 of this Agreement; non-solicitation and non-competition provisions set forth in Article 10 of this Agreement; post termination obligations set forth in Article 14.1 of this Agreement; and dispute resolution provisions of Article 15 of this Agreement. Additionally, if CRDN rescinds this Agreement in accordance with this Article 7.3, Franchisee acknowledges and agrees that Franchisee shall not be refunded any costs incurred by Franchisee in pursuing the potential purchase of the Franchised Business.

7.4 Ongoing Training and Meeting Obligations. The Franchisee has ongoing training and meeting obligations, namely the Franchisee must attend: (a) as many web-based or otherwise remote location attendance follow-up sessions subsequent to Initial Training as Franchisor deems necessary, using the format and content as Franchisor, in its sole discretion, requires, and for a time period not to exceed twenty four (24) months from the date of completion of Initial Training ("Follow-up Training"); (b) a refresher training course every two (2) years ("Refresher Training"); and (c) either the CRDN convention ("CRDN Convention") or the geographically applicable CRDN regional meeting ("CRDN Regional Meeting"), whichever is applicable, each year. It is the intent of CRDN to hold a CRDN Convention on an annual basis, but CRDN reserves the right to hold a CRDN Regional Meeting in the event a CRDN Convention is not held in a given year. In the event that the Principal Owner does not attend the Follow-up Training, Refresher Training, the CRDN Convention or CRDN Regional Meeting, as applicable,

CRDN may debit Franchisee's account for any applicable registration fee and any applicable room rental fee and such failure to attend shall be deemed grounds for termination under Article 13.2 of this Agreement.

7.5 Additional Training. CRDN reserves the right to require the Franchisee to attend other Franchise System or industry related training courses or conferences, at such times and locations as determined by CRDN in its sole discretion, and for which CRDN may charge fees. CRDN will determine the duration, curriculum and location of any such other industry related training courses or conferences. Franchisee shall be responsible for all travel and living expenses that you incur while attending industry related training courses or conferences. In no event shall Franchisee be required to attend more than one (1) industry related training and the CRDN Convention or CRDN Regional Meeting, as applicable, in one calendar year. In the event that the Principal Owner does not attend the required industry training, CRDN may debit Franchisee's account for the registration fee and any applicable hotel room fee and such failure shall be deemed grounds for termination under Article 13.2 of this Agreement.

7.6 Recertification Training. Although CRDN does not currently require recertification training, CRDN reserves the right to implement such a program upon sixty (60) days' prior written notice to you. If CRDN implements such a program, Franchisee agrees to attend a three (3) to five (5) day recertification training program at CRDN's place of business at least once every three (3) years. Franchisee agrees to pay CRDN's recertification training fee as well as Franchisee's travel and living expenses. CRDN shall provide no less than sixty (60) days' prior written notice to Franchisee of the date of each recertification training program.

7.7 Post Training On-Site Consultation. In its sole discretion, CRDN may provide operational and/or consultative services at Franchisee's principal place of business at a fee to Franchisee based on time and expenses incurred by CRDN's representative, as agreed in advance by the parties.

7.8 Optional Program Training. From time to time CRDN may offer Optional Programs, which require additional training and the payment of additional fees. If Franchisee elects to participate in one of more of these Optional Programs, Franchisee agrees to abide by all training requirements prior to beginning operation of any Optional Program, all in accordance with CRDN's policies and procedures for such Optional Program. Additionally, Franchisor, at its sole discretion, may require Franchisee to execute an additional franchise agreement, or otherwise execute documentation necessary to amend this Agreement, to effectuate Franchisee's participation in any Optional Program, without additional consideration.

7.9 Delegation of Performance. You acknowledge and agree that we have the right, at our sole and absolute discretion, to delegate the performance of any portion or all of our obligations and duties under this Agreement to designees, whether such designees are our agents or independent contractors with whom we have contracted to perform the obligations and/or duties.

7.10 Designated Representative. Upon prior written approval of CRDN, your Designated Representative may perform the training obligation set forth in Article 7 hereof on behalf Principal Owner. In this Agreement, the term "Designated Representative" shall mean any person as Principal Owner designates to perform certain tasks, functions, responsibilities or other obligations that would otherwise be required by Principal Owner. Any Designated Representative

must be approved of in writing by CRDN. This Agreement specifically provides for which obligations of Principal Owner may be satisfied by a Designated Representative; and, unless so specified or otherwise agreed upon by Franchisor, the Principal Owner may not delegate performance of any requirements or obligations set forth in this Agreement.

## **ARTICLE 8: OPERATIONS MANUAL**

8.1 Operations Manual. CRDN will loan the Franchisee, during the term of this Agreement, one copy of the Operations Manual. The Operations Manual contains CRDN's proprietary information and trade secrets. The Operations Manual consists of all the System Standards that CRDN prescribes from time to time for the operation of a Franchised Business, and information relating to your obligations under this Agreement and related agreements. The Operations Manual does not include any employment related information for employees of Franchisee. Franchisee acknowledges and agrees that the provisions of any and all guidelines and manuals of all subjects, including without limitation, brand, personnel, training, sales and marketing, software, etc., and in all formats, including electronic, web-based, and hard copy, provided to Franchisee throughout the Initial Term and the Successor Term of this Agreement, shall be deemed part of and are hereby incorporated into the Operations Manual and any rights, obligations, and/or requirements set forth in this Agreement in connection with the Operations Manual shall apply to all such other guidelines and manuals.

8.1.1 Form of Operations Manual. Additionally, Franchisee acknowledges and agrees that receipt of any copy of the Operations Manual may only be available and/or provided in electronic and/or web-based format, at the sole discretion of Franchisor.

8.1.2 Ownership of the Operations Manual. Franchisee acknowledges that the Operations Manual remains the property of CRDN and Franchisee shall be bound by the terms of the Operations Manual and shall immediately return the Operations Manual and any copies thereof to CRDN upon termination or expiration of this Agreement.

8.1.3 Modification to the Operations Manual. CRDN may modify the Operations Manual from time to time to reflect changes in the System Standards. Upon modification of the System Standards by CRDN, Franchisee is required to implement and comply with such modification within sixty (60) days from written notice thereof. Franchisee acknowledges and agrees that such modifications may be made known solely through electronic communication and provided on a web-based format and Franchisor is not obligated to provide a hard/paper copy of any updates or modifications to the Operations Manual.

8.1.4 Conflict. Unless otherwise specified, in the event of any conflict between the terms of this Agreement and the terms of the Operations Manual, the terms of this Agreement shall govern.

8.2 Security of the Operations Manuals. Franchisee shall maintain a copy, in the format in which it was received, of the Operations Manual in a secure location in the Franchisee's principal office. In the event of a dispute over the contents of the Operations Manual, the terms of the most recent electronic version posted and made available on CRDN's Franchise System website, solely for CRDN franchisees and their employees, shall govern. Franchisee may not copy, duplicate, record, or otherwise reproduce any part of the Operations Manual.

## ARTICLE 9: CONFIDENTIAL AND PROPRIETARY INFORMATION

9.1 Confidential Information. We possess, and will continue to develop and acquire, certain confidential information (the "Confidential Information") relating to the development and operation of CRDN's Business and the Franchise System. As used in this Agreement, "Confidential Information" means all information, documentation, knowledge, data, techniques, or know-how, through any medium of expression, in any form or format including but not limited to electronic, web-based, video, DVD/CD-Rom, audiotape, and print, of CRDN or its licensors, suppliers, agents, representatives, or affiliates, that is not generally known to the public that is disclosed by CRDN to Franchisee or that is otherwise learned by or comes into the possession or knowledge of Franchisee in connection with, or as a result of this Agreement or the operation of the Franchised Business, and that has been identified or is treated as being proprietary or confidential or that by the nature of the circumstances surrounding the disclosure or receipt, or by the nature of the information itself, would be treated as proprietary and confidential by a reasonable person.

Without limitation, "Confidential Information" also includes financial, business, marketing and sales information, including without limitation strategies for sales development, performance and result information of any CRDN franchise or the Franchise System, operational information, including without limitation operating procedures and guidelines for any and all aspects of the Franchised Business, computer programs and software, pricing information, and/or supplier or other third party information, any information or documentation received and/or reviewed at any meeting between you and Franchisor, and any other information or materials regarding the CRDN Business and/or the Franchise System, including without limitation the Operations Manual, Marks, all proprietary software including without limitation the Franchise Management System and any related system(s), Customer lists, and System Standards. Additionally, "Confidential Information" includes all information of or about an identifiable officer, director, employee, customer or potential customer, and any customer data (collectively, the "Personal Information"). The following types of information will not be considered Confidential Information if such information: (a) is or becomes publicly available through no act or fault of Franchisee in violation of the terms of this Agreement; (b) becomes known by Franchisee on a non-confidential basis from a source which legally derives such information independently of Franchisor; (c) Franchisee can establish, by documentary evidence, was already in the Franchisee's possession or known to the Franchisee prior to being disclosed or provided to the Franchisee, by or on behalf of Franchisor; (d) Franchisee can establish, by documentary evidence, was independently developed by or on behalf of Franchisee without reference to Franchisor's Confidential Information; (e) is freely disclosed by Franchisor to a third party without an obligation of confidentiality or nondisclosure; or (f) is approved for release by written authorization of Franchisor. Provided, however, the foregoing exceptions are not applicable to any Personal Information.

9.2 Ownership and Use of Confidential Information, Specifically Customer Lists. You acknowledge and agree that you will not acquire any interest in the Confidential Information, other than the right to utilize that Confidential Information which is provided or disclosed to you in operating the Franchised Business during the Initial Term or the Successor Term of this Agreement or as specifically permitted by this Agreement.

Specifically with respect to Customer lists, you acknowledge and agree that we own any and all Customer lists and their contents that we provide to you and/or that you subsequently develop during the normal course of operating the Franchised Business. You promise to make available to us, upon our request, an electronic copy, or in a form we approve, a complete list of

current and former Customers. This list must include their name, telephone number, complete mailing address, frequency of service, last date serviced, price of service, and other information concerning such Customers as we request. The information will be utilized periodically in the development and execution of various marketing strategies for the mutual benefit of the parties. You promise not to use any Customer list for any purpose other than in the normal operation of the Franchised Business without our prior written approval.

9.3 Franchisee's Obligations Regarding Confidential Information. You acknowledge and agree that the use, disclosure or duplication of any Confidential Information in any business other than the Franchised Business would constitute an unfair method of competition. You also acknowledge and agree that the Confidential Information is provided or disclosed to you only on the condition that you promise to:

- (a) Not use Confidential Information in any other business or capacity;
- (b) Maintain the absolute confidentiality of Confidential Information in accordance with the non-disclosure obligations described in Article 9.4 during and after the Initial Term and the Successor Term of this Agreement;
- (c) Not make unauthorized copies of any portion of Confidential Information provided or disclosed to you via electronic medium or in written or other tangible form;
- (d) Adopt and implement all reasonable procedures that we prescribe from time to time to safeguard the Confidential Information and prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure to Representatives (as defined in Article 9.3(e) below);
- (e) Restrict access to Confidential Information to those employees, affiliates, agents, advisors, consultants and representatives of Franchisee ("Representatives") who have a need to know for the purpose(s) of this Agreement or the operation of the Franchised Business and who have legally enforceable nondisclosure obligations to Franchisee no less stringent than those contained in this Agreement, and only provide the minimum Confidential Information such Representatives need for such purpose(s); and
- (f) Collect, use, store, disclose, dispose of, provide access to and otherwise handle Personal Information received, collected or accessible to the receiving party hereunder in accordance with all privacy laws applicable to such information, including, without limitation, complying with all applicable federal and state privacy legislation and anti-spam legislation and, in particular, ensuring that all necessary consents have been obtained from Customers and other individuals with whom you are dealing in order to collect, use or disclose personal information or to send commercial electronic messages for your, our and our affiliates purposes, or to transfer or disclose such personal information to us or our affiliates.

9.4 Non-Disclosure. Franchisee shall not, on behalf of or for the benefit of itself or any person(s), legal entity or third party, during the Initial Term or any Successor Term of this Agreement or thereafter as a result of expiration, termination or Transfer, including a Minority Transfer (as defined in this Article 12.4 herein), disclose, communicate, divulge, provide access to any other person(s), legal entity or third party, use, reproduce, or copy in any fashion, any

Confidential Information, except as otherwise provided in this Agreement. Provided, however, that the foregoing provisions of this Article 9.4 shall not apply to Confidential Information that is disclosed pursuant to law, regulation or lawful order or process ("Required Disclosure"). In the event of a Required Disclosure, you must provide prompt written notice thereof to permit Franchisor to oppose or limit such disclosure and you must reasonably cooperate with the Franchisor's efforts to oppose or limit the Required Disclosure. In the event of a Required Disclosure, you must disclose only such information as is required, in the opinion of legal counsel, and use commercially reasonable efforts to obtain confidential treatment for any Confidential Information disclosed pursuant to a Required Disclosure.

9.5 Return and Destruction of Confidential Information. Franchisee shall, upon the earlier of the termination or expiration of this Agreement, or upon Franchisor's request at any time, immediately, but not later than seven (7) days from the date of termination, expiration or the date of the Franchisor's request, return (or, at Franchisor's option, destroy and provide Franchisor written confirmation of such destruction) all Confidential Information (including any and all documents, records, notes, writings and other materials of any type that relate, belong or pertain to any such Confidential Information and all other documents relating to the CRDN Business and the Franchise System then in Franchisee's and/or its representatives' possession or control) and all copies thereof. Franchisee shall not retain any Confidential Information or any copies thereof for its files. Notwithstanding the return or destruction of the Confidential Information, Franchisee shall continue to be bound by the non-disclosure provisions and other terms of this Agreement as provided herein.

## **ARTICLE 10: COVENANTS DURING THE TERM**

10.1 Non-Solicitation and Non-Competition. You promise, during the term of this Agreement, you shall not, either directly or indirectly, for yourself, or through or on behalf of, or in conjunction with any person, legal entity or other third party:

- (a) Engage as an owner, partner, investor, shareholder, director, officer, employee, consultant, agent, or in any other capacity in any other business offering (or granting franchises or licenses to others to operate a business which offers) Textile Restoration Services the same as or similar to the services sold by the Franchised Business (except for other franchises under franchise agreements we enter into with you) including, but not limited to, general contracting, reconstruction services, and/or other content cleaning or other similar services (such as electronic, furniture, carpeting, wall or structural cleaning) or in any such business in which our Confidential Information could be used to the disadvantage of CRDN, any CRDN franchisee or the Franchise System (any such business shall be referred to herein as a "Competitive Business");
- (b) Use our Confidential Information, trade dress, proprietary knowledge, or any imitations thereof, in the design, development, or operation of any business whether or not similar to or the same as that conducted by the Franchised Business;
- (c) Divert or attempt to divert any business or Customer of CRDN or any other CRDN franchisee 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 Marks and the Franchise System; or

- (d) Employ or seek to employ any person who is at that time employed by CRDN or by any other CRDN franchisee or otherwise directly or indirectly induce such person to leave his or her employment without the express written consent of CRDN or the other CRDN franchisee.

Notwithstanding the foregoing, we recognize and understand that you may already in the dry cleaning and laundry business. Accordingly, this covenant not to compete shall not apply to standard retail dry cleaning and/or laundry services that do not comprise part of the CRDN Services and/or Textile Restoration Services. This covenant not to compete shall also not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

10.2 For Your Employees. At the start of their employment with, or their commencement of performance of services for or in support of, the Franchised Business, you promise to require, as consideration for employment, each of your employees to execute non-disclosure, confidentiality and non-compete agreement ("Non-disclosure, Confidentiality and Non-Competition Agreement") that we have approved. Such Non-Disclosure, Confidentiality and Non-Competition Agreement will prohibit disclosure, by each employee to any other person(s), legal entity or other third party, of any Confidential Information. Such Non-Disclosure, Confidentiality and Non-Competition Agreement will, to the fullest extent permitted by applicable law, prevent each employee from servicing or marketing to any of the Customers of your Franchised Business, except in their capacities as employees of the Franchised Business, or from engaging in any Competitive Business, either as an owner, partner, investor, shareholder, director, officer, employee, consultant, agent, or in any other capacity. A fully and properly executed copy of each Non-Disclosure, Confidentiality and Non-Competition Agreement must be provided to us. You must require, and provide copies to us of, background checks for any Principal Owner, employee or associated person who will have access to a Customer's Personal Information. You must require that all employees who have access to a Customer's home or business are bonded and insured. You promise to ensure that terminated employees will not have access to the Franchise System, our software, intranet sites, our Confidential Information, materials or any aspect of the Franchised Business. All individuals attending meetings of a confidential nature (i.e., any CRDN Convention, or CRDN Regional Meeting, etc.) must sign the most current version of the Non-Disclosure, Confidentiality and Non-Competition Agreement.

10.3 Fairness and Reasonableness. Franchisee acknowledges and agrees that the covenants not to compete set forth above are fair and reasonable and will not impose any undue hardship on Franchisee, or Franchisee's shareholders, members or partners, if Franchisee is a corporation, limited liability company or partnership, since Franchisee, its shareholders, members or partners, as applicable, have other considerable skills, experience and education which afford Franchisee, its shareholders, members or partners, as applicable, the opportunity to derive income from other endeavors.

10.4 Enforcement of Non-Competition Covenants. Franchisee acknowledges and agrees that the restrictions contained in this Agreement are reasonable and necessary to protect the legitimate interests of the Franchisor and that Franchisor would not have entered into this Agreement in the absence of such restrictions. Franchisee further acknowledges and agrees that any money damages may be both incalculable and an insufficient remedy for any breach of this Agreement by Franchisee, and that any such breach would cause irreparable harm to Franchisor.

Accordingly, in the event of any breach or threatened breach of this Agreement, Franchisor, in addition to other remedies at law or in equity it may have, shall be entitled to equitable relief, including injunctive relief and specific performance. If an action at law or in equity is necessary to enforce or interpret the terms of this Agreement, Franchisor shall be entitled to recover, in addition to any other relief, reasonable attorneys' fees, costs and disbursements. For the avoidance of doubt, Franchisee expressly agrees that it may conclusively be presumed that any violation of the non-competition and non-solicitation covenants described herein was accomplished by and through Franchisee's unlawful utilization of Franchisor's Confidential Information, know-how, methods and procedures.

10.5 Independence of Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Article 10 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees 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 Article 10.

10.6 Modification of Covenants. Franchisee understands and acknowledges that Franchisor may modify this Agreement only upon the execution of a written agreement by Franchisor and the Franchisee.

10.7 No Defense. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from or relating to this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 10.

10.8 Additional Covenants. At Franchisor's request, Franchisee shall require and obtain execution of covenants similar to those set forth in this Article 10 (including covenants applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons: (a) those who have received training from Franchisor; and (b) all officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities or ownership of Franchisee or of any legal entity directly or indirectly controlling Franchisee if Franchisee is a legal entity.

10.9 Failure to Obtain Covenants. Franchisee's failure to obtain any of the required covenants for any persons for which such covenants are required, in accordance with the terms and conditions set forth in Article 10, shall constitute a default under this Agreement.

## **ARTICLE 11: SYSTEM STANDARDS**

11.1 Compliance with System Standards. You acknowledge and agree that the operation and maintenance of your Franchised Business according to certain system standards (the "System Standards" or singularly, "System Standard"), including mandatory and suggested specifications, standards, operating procedures, and rules, is essential to preserve the goodwill for the Marks, the Franchise System, and all CRDN franchises. Therefore, at all times during the Initial Term the Successor Term of this Agreement, you promise to operate and maintain your Franchised Business according to each and every System Standard, as we periodically modify and supplement them during the Initial Term and the Successor Term of this Agreement, even if you



believe that a System Standard, as originally issued or subsequently modified or supplemented, is not in the Franchise System's or your Franchised Business' best interests. System Standards do not include any required personnel policies or procedures and CRDN does not dictate your day to day operations through the System Standards or otherwise. System Standards, as specified and periodically amended in the Operations Manual, may regulate one or more of the following for your franchise:

- (a) Use and display of the Marks;
- (b) CRDN services and products which we authorize you to sell;
- (c) The use of environmentally and employee safe supplies and equipment;
- (d) Uniforms, during business hours, for your CRDN marketing, sales, and service representatives from an approved vendor;
- (e) Business forms and stationery;
- (f) Types and amounts of insurance coverage (see Article 11.3 herein for the current requirements);
- (g) Marketing, advertising, and promotional material prepared by you and approved by us;
- (h) Public figures you choose in connection with local promotions;
- (i) Your obligations related to compliance with applicable laws including obtaining required licenses and permits, payment of all taxes, assessments, fees, fines, and penalties arising out of the operation of the Franchised Business as well as your sole obligation to comply with all employment related laws of any kind;
- (j) Adhering to good business practices, observing high standards of honesty, integrity, fair dealing, and ethical business conduct in all dealings with customers, suppliers, and us, and notifying us if any action, suit, or proceeding is commenced against you or your Franchised Business;
- (k) General operations including maintaining, at a minimum, Monday through Friday 7:00 AM to 6:00 PM business hours, sales, marketing, advertising, and promotional programs, and materials and media used in these programs, bookkeeping, accounting, data processing, and record keeping systems, and forms, methods, content, and frequency of reports to us of sales and financial performance, and the furnishing of tax returns related to the Franchised Business and other operating and financial information to us;
- (l) CRDN Telephone Numbers and Call Center service capabilities for handling incoming request and/or referral calls for the performance of CRDN Services after stated minimum business hours and weekends (as discussed in Article 2.7 herein);

- (m) Response, including requirements relating to timing and procedures for responding, to any and all Customers' inquiries or complaints to reasonably ensure positive Customer relations and maintain the goodwill of the Franchise System, even when such response may necessitate re-performing a task not completed to the Customer's satisfaction or a refund of monies received;
- (n) Any other aspect of the operation and maintenance of your Franchised Business that we determine, from time to time, to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and the Franchise System;
- (o) Compliance with minimum security, network, hardware, and software requirements which may change from time to time as described in the Operations Manual.
- (p) Purchase of a point of sale software system ("POS") that meets our requirements, as may be modified from time to time in the Operations Manual, from such vendor as we require which may include CRDN or one of our legal affiliates. You may also need to pay to install the POS and related software and hardware. Your POS must interface with our current proprietary software system, and you may need to purchase certain other software or hardware in connection with such interface, as we require from time to time. We will have independent access to and the right to use all data recorded or stored in your POS.
- (q) Your obligations with respect to initial and ongoing compliance and credentialing requirements including, without limitation, cooperation with CRDN and any third party (each a "Credentialing and Compliance Partner") engaged to assist in monitoring ongoing compliance and credentialing requirements including, without limitation, insurance requirements, background checks, DBA and other legal documentation, the credentialing requirements of Regional/National Programs, etc. and payment of any fees associated therewith (the "Credentialing and Compliance Fees"), as set out in the Operations Manual.

11.2 Modification of System Standards. You acknowledge and agree that the Franchise System must continue to evolve in order to reflect changing market conditions, meet new and changing consumer demands, and to innovate, update and advance the Franchise System at large, and the Franchise Services and other products and services CRDN, at its sole discretion, decides to offer as part of the Franchised Business. As a consequence, modifications to the System Standards may be required to facilitate such evolution. Accordingly, you agree that we may from time to time and upon reasonable notice to you, add to, remove, and/or modify the System Standards ("System Standard Modifications", and each a "System Standard Modification"), including without limitation the adoption and use of new or modified trademarks, sales strategies, uniforms, products, equipment, services, techniques, proprietary software, non-proprietary software, and methodologies. Such System Standard Modifications shall be prescribed in the Operations Manual. Unless otherwise specified in this Agreement, you agree to accept, implement, use, and display in the operation of your Franchised Business, each System Standard Modification, at your sole cost, within sixty (60) days from the date of receipt of our written notice to you of such System Standard Modification. Your failure to comply with any System Standard Modification within sixty (60) days shall be deemed an incurable default under this Agreement, as provided in Article 13.2 herein.

11.3 Insurance. As part of the Pre-Activation Requirements, prior to the Commencement of Operations, Franchisee shall obtain, and maintain in full force and effect throughout the Initial Term and the Successor Term of this Agreement, and at its sole expense, certain insurance coverages, the minimums of which are as described below. You acknowledge and agree that the insurance you are required to secure and maintain under this Agreement reflects the minimum amounts of coverage we require, is not meant to reflect the actual needs you may have, and that it is your responsibility to carefully evaluate if such minimum insurance coverage will adequately meet your needs. All policies must be obtained and maintained solely through the Franchisee Entity and DBA, and Franchisee may not rely upon policy(ies) of any other person(s), legal entity(ies) or other third party(ies) to fulfill any of the insurance coverages required under this Agreement. All policies will be written by an insurance company(ies) that is/are licensed in the jurisdiction in which you are doing business, and that has an A.M. Best rating of "A" or better unless otherwise reviewed and approved by us.

(a) Commercial General Liability Insurance. You shall maintain insurance for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations liability coverage. Limits shall be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit, and \$1,000,000 per occurrence limit. Contractual liability coverage including the assumed personal injury endorsement shall be included to cover the indemnity provisions of this Franchise Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims. CRDN shall be named as an additional insured on such policy on a primary and noncontributory basis. The policy shall include a waiver of subrogation in favor of CRDN, and you, on behalf of your insurers, hereby waive all right of subrogation against us and our employees, officers and agents.

(b) Bailees Legal Liability and/or Bailees Property Coverage Insurance. Bailee's legal liability insurance covering the liability for damage to Customer's goods shall be maintained with a limit of at least \$1,000,000, specifying a limit of \$5,000 per item on furs, leather or garments lined with fur. CRDN shall be named as an additional insured on such policy on a primary and noncontributory basis. The policy shall include waiver of subrogation in favor of CRDN, and you, on behalf of your insurers, hereby waive all right of subrogation against us and our employees, officers and agents.

(c) Automobile Liability Insurance. You shall maintain insurance with a combined single limit of \$1,000,000 for bodily injury and property damage for all owned or lease vehicles and for hired and non-owned motor vehicles.

(d) Workers' Compensation and Employers' Liability. Workers' compensation insurance and employer's liability insurance shall be maintained with limits of at least \$500,000 covering all states where CRDN Services may be performed. Such policy shall contain a waiver of subrogation endorsement as to claims against CRDN.

(e) Employee Dishonesty Insurance. You shall maintain employee dishonesty insurance with minimum limits of \$50,000 per loss and such coverage shall also cover acts of stealing against third parties.

(f) Property Insurance. You shall maintain insurance on buildings and business personal property including personal property of others. The property coverage shall be written

on the Special Cause of Loss form as published by the Insurance Services Office or such other form as CRDN requires from time to time as set forth in the Operations Manual, including any modifications or replacements thereto, shall be on a replacement cost basis with no coinsurance requirement. The property coverage shall include business income and extra expense coverage for the full twelve (12) months exposure for loss of rental income.

(g) Umbrella Liability Insurance. You shall maintain a commercial umbrella liability insurance policy with a limit of at least \$2,000,000 per occurrence and aggregate and shall list the commercial general liability, automobile liability and workers' compensation / employers' liability policies as scheduled underlying policies.

(h) Network Security and Privacy Liability (also known as Cyber Insurance). You shall maintain network security and privacy/cyber insurance coverage with policy limits of at least \$1,000,000 per occurrence and including protection against liability for (a) system attacks and ransomware, (b) denial or loss of service attacks, (c) spread of malicious software code, (d) unauthorized access and use of computer systems, (e) crisis management and customer notification expenses, (f) privacy regulatory defense and penalties, and (g) liability arising from the loss or disclosure of confidential data.

(i) Other Insurance. You shall maintain any other legally required applicable insurance requirements.

All policies will name CRDN as an additional insured, to the extent permitted by law or insurance related legal authority, will contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the Indemnified Parties, will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by us, and will provide, by endorsement, that we receive at least ten (10) days' prior written notice of any intent to cancel or materially alter any policy. In addition to any notice provided by the insurance company, you are also required to provide ten (10) days' prior written notice of any impending cancellation or material alternation in coverage. You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter, restate or amend any insurance policy without our written consent. You also must promptly report all claims, or potential claims, against you or us, to the insurer and to us.

You must submit to us or such Credentialing and Compliance Partner as we specify, a certificate or other acceptable proof of such insurance ("Coverage Proof") as part of the Pre-Activation Requirements, prior to the Commencement of Operations, and annually, at least thirty (30) days prior to any expiration and/or renewal of your insurance coverage or as soon thereafter as such Coverage Proof is available. At this time, the Credentialing and Compliance Partner and/or CRDN will monitor insurance compliance and fees for insurance monitoring are included in the Credentialing and Compliance Fees. The foregoing notwithstanding, we reserve the right to designate an alternate and/or additional third party to monitor insurance compliance and to bill separately and/or additionally for such services. Payment of the initial Credentialing and Compliance Fees will be required prior to Commencement of Operations and due annually or as otherwise required thereafter, as set forth in the Operations Manual.

The Coverage Proof must contain evidence specifically stating that each of the aforementioned coverage types are maintained by you at the requisite amounts and, in addition to listing us as an additional insured, it must contain the following paragraph:

“Certified Restoration Drycleaning Network, LLC and its affiliated companies and customers, under which it is required by contract to provide coverage, are all included as Additional Insured on a primary and non-contributory basis for the above-listed coverages and policies, excluding worker’s compensation, umbrella, and property coverage. The umbrella coverage shall follow the form of the underlying general liability coverage as it pertains to the additional insured status. The above-listed coverages and policies of the insured shall include a broad form additional insured endorsement which includes as additional insureds on a primary and non-contributory basis, any party required by the insured under a written contract to be named as an additional insured.”

In connection with Regional/National Programs, described in Article 1.5 above, you may be requested to modify your insurance coverage and in such event you must make such modification and do so in the timeframe required under the applicable Regional/National Program. Additionally, under a Regional/National Program, you may be required to provide certificates of insurance to third parties and/or to list such third parties as additional insured parties under your insurance policies. In such instances, you must submit to CRDN copies of all certificates of insurance for all additional insured parties in addition to submitting such certificates to those other additional insured parties directly.

Additional detail and requirements related to insurance compliance, to which you must adhere, are set forth in the Operations Manual.

#### 11.4 Taxes and Advances.

11.4.1 Taxes. Any and all amounts expressed as being payable pursuant to this Agreement are exclusive of any applicable taxes. Accordingly, if applicable, all payments by you shall, in addition, include an amount equal to any and all goods and services taxes, sales taxes, value added taxes, or other taxes, assessments or amounts of a like nature imposed, including without limitation those imposed by local, state, or federal authority, on any payments to be made pursuant to this Agreement.

11.4.2 Advances. You promise to promptly reimburse us for all amounts that we have paid, or have been obligated to pay, on your behalf for any unpaid tax liability, if any.

## **ARTICLE 12: TRANSFER**

12.1 By CRDN. A sale, transfer or assignment by CRDN of its interest in the Franchise System or the Marks or any parts thereof, and/or in the sale, transfer or assignment by Franchisor of this Agreement or any interest therein, may be completed without your consent. To the extent that the purchaser or assignee shall assume the covenants and obligations of CRDN under this Agreement, CRDN shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations.

12.2 By Franchisee. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted these business development rights in reliance on the business skill, financial capacity, and personal character of Franchisee Entity and/or Franchisee’s Principal Owner, as appropriate to this Agreement. Accordingly, neither Franchisee nor any immediate or remote successor to any part

of Franchisee's interest in this Agreement, nor any individual, partnership, company or corporation which directly or indirectly owns any interest in Franchisee and/or this Agreement, shall purchase, sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise Transfer or encumber any interest in Franchisee and/or this Agreement, without the prior written consent of Franchisor. Any purported assignment or Transfer by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void and shall constitute a material breach of this Agreement for which Franchisor may thus terminate this Agreement pursuant to Article 13.2 hereof. As used in this Article, "Transfer" shall mean any purchase, sale, assignment, transfer or encumbrance, in whole or part, of: (a) this Agreement; (b) Franchisee's rights and interests under this Agreement including those of the Principal Owner or Franchisee Entity; (c) the capital stock or other ownership interest of the Franchisee; or (d) any assets of the Franchised Business.

12.3 Conditions to Transfer. Franchisor may consent to a Transfer by Franchisee, which such consent shall not be unreasonably withheld, subject to and conditioned upon the satisfaction of the following conditions:

- (a) All of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries, affiliates and suppliers shall be current, fully paid, and satisfied;
- (b) Franchisee shall not be in default of any provision of this Agreement, including any amendment hereof, or any other agreement between Franchisee and Franchisor, or their respective subsidiaries, affiliates or suppliers, and Franchisee shall remain in compliance with the terms of this Agreement throughout the potential transfer process;
- (c) You provide us with written authorization to release to the transferee any and all information about the operation of the Franchised Business including, but in no way limited to, financial performance data, Minimum Monthly Gross Sales requirements, your ability to meet and maintain Minimum Monthly Gross Sales requirements and any other information which we have collected;
- (d) Franchisee and any transferee shall follow all transfer/selling processes, steps and procedures as set forth in the Operations Manual to efficiently and thoroughly carry out the Transfer including, without limitation, Franchisee's obligation to provide Franchisor at least thirty (30) calendar days advanced written notice of any proposed transfer and execute then current form of listing agreement and/or letter of intent to sell;
- (e) Franchisee must continue to provide CRDN Services until such date as a transferee is identified, completes all the then current Pre-Activation Requirements including, without limitation, Initial Training, and Franchisee must maintain active status with Regional/National Programs and/or Program Partners until such time as the transferee has secured Program Partner Acceptance by all Program Partners and Franchisee assist as necessary to transfer Franchisee's position as an accepted Regional/National Program participant to the transferee;
- (f) Franchisee shall execute any and all documents reasonably requested by Franchisor and comply with all requirements set forth herein to properly transfer Franchisee's interests in the Agreement and to terminate this Agreement and Franchisee's relationship with Franchisor as of the effective date of the Transfer. Such documents shall include, without limitation, a release, in a form satisfactory to Franchisor,

- executed by Franchisee and each of its shareholders/members, officers and directors, of any and all claims (except for claims which cannot be released pursuant to an applicable franchise law statute) against Franchisor and all of our past, present and future subsidiaries and affiliates, and all of their respective past, present, and future members, shareholders, direct and indirect parent companies, managers, officers, directors, employees, attorneys, representatives and designees, including, without limitation, any and all claims with respect to this Agreement and arising under federal, state and local laws, rules and ordinances, and such release shall provide CRDN with the right to perform a post-termination audit of the Franchised Business within one year from the termination date. Notwithstanding the foregoing, and without limitation, Franchisee shall not be required to release Franchisor for violations of federal and state franchise registration and disclosure laws. Furthermore, notwithstanding the foregoing, following any Transfer, Franchisee shall continue to remain responsible for its obligations of nondisclosure, non-competition and indemnification as provided elsewhere in this Agreement and shall execute any and all instruments reasonably requested by Franchisor to further evidence such liability;
- (g) The transferee shall enter into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement; and, the transferee shall guarantee the performance of all obligations of the Franchisee in writing in a form satisfactory to Franchisor;
  - (h) The transferee shall be evaluated for our approval based upon the same criteria as is then currently being used by us to assess new franchisees, including without limitation, demonstration, to Franchisor's satisfaction as determined solely by Franchisor through its internal review process or otherwise, that transferee: (1) meets Franchisor's educational, managerial and business standards; (2) possesses a good moral character, business reputation and credit rating as determined through a background check and otherwise; (3) has the aptitude and ability to develop the Franchised Business herein (as may be evidenced by prior related experience or otherwise); (4) has at least the same managerial and financial criteria then required of new Franchisees/franchisees; (5) has sufficient equity capital to develop the Franchised Business; and (6) complies with and passes all of Franchisor's then current background investigation requirements and procedures;
  - (i) The transferee agrees to make, at its sole expense, such capital expenditures as may be reasonably required to update the Franchised Business premises and/or delivery vehicles, signs, graphics, furnishings, etc., so as to reflect the then current image and/or logos, and upgrade or update the software, all to comply with the then-current specifications of Franchisor;
  - (j) Franchisee pays to Franchisor and/or third parties, as applicable, any fees incurred to advertise and/or list the Franchise Business for sale including by way of example only, broker fees, referral fees, and/or listing fees;
  - (k) Franchisee and/or transferee shall pay to Franchisor the then current nonrefundable Transfer fee (such fee varies depending on whether the transferee is an existing CRDN franchisee or not) . We will waive the Transfer fee for Transfers to your spouse, parent or children; provided, however, referral, broker, and/or listing fees may still

apply. Notwithstanding the foregoing, Franchisee shall, at all times, remain liable for this Transfer fee if unpaid by transferee;

- (l) The transferee and its owners and affiliates shall not be engaged in a Competitive Business, unless they agree to operate all competitive restoration businesses as a part of the CRDN Franchise System;
- (m) The transferee shall have signed an acknowledgement of receipt of all required legal documents, such as the Franchise Disclosure Document and the then current Franchise Agreement and ancillary agreements;
- (n) The transferee has executed our then current form of Franchise Agreement for a full term; provided, however, that the transferee will assume and must agree to meet the Minimum Monthly Gross Sales requirements of the Franchisee at the time of the Transfer;
- (o) The transferee has successfully completed all of the then current Pre-Activation Requirements including without limitation successful completion of Initial Training;
- (p) If, subsequent to the Transfer, we permit you to retain any portion of the Franchise Territory of the Franchised Business, or we permit you to maintain one or more CRDN franchises that are not part of the Transfer, you will be required to execute our then current form of Franchise Agreement for a full ten (10) year term for (1) any such remaining portion of the Franchise Territory, which shall become its own CRDN franchise; and (2) any such other remaining CRDN franchises; provided, however, that all applicable provisions set forth in Article 4 above must be adhered to with the exception that the Successor Term Fee shall be waived;
- (q) Franchisee shall remain liable for all direct and indirect obligations to Franchisor in connection with the Agreement prior to the effective date of the Transfer, including, but in no way limited to maintenance of all Minimum Monthly Gross Sales requirements and/or payment of any Minimum Royalty Fee(s) owed in connection with any failure to meet such Minimum Monthly Gross Sales requirements;
- (r) If you finance any part of the sale price of the transferred interest, you agree that all of the transferee's obligations under any promissory notes, agreements, or security interests that you have reserved in the Franchised Business, are subordinate to the transferee's obligation to pay Royalties, Fund contributions, and other amounts due to us and otherwise to comply with this Agreement; and
- (s) If you, an existing Franchisee, desire to purchase an additional Franchise Territory, you will be required to sign a cross-default addendum and the current version of our Franchise Agreement for all owned CRDN franchised businesses and pay the then current Territory Fee, Fixed Licensing Fee and Initial Package Fee.

12.4 Minority Transfers. "Minority Transfer" shall mean any purchase, sale, assignment, transfer, or encumbrance of less than fifty percent (50%) of total capital stock or other equivalent ownership interest of Franchisee and/or Franchisee Entity, or which does not effectuate a change in control of the Franchisee Entity, measured both individually and in aggregate of all Minority Transfers. Franchisee, Principal Owner and/or Franchisee Entity shall not make any Minority



Transfer unless Franchisee shall have submitted to CRDN a written notice of Franchisee's intent to make a Minority Transfer.

12.5 CRDN's Marketing of Your Franchised Business. If you are in full compliance with this Agreement and desire our assistance in marketing your Franchised Business for sale, we will do so for a period of one year after you give us notice of your desire to sell your Franchised Business; provided that you sign our then current form of listing agreement and/or letter of intent to sell which will set the applicable broker, referral, and/or listing fees and other terms and conditions surrounding our sales efforts. We may market your Franchised Business through whatever means and methods that we deem appropriate and have no obligation to spend any minimum amount on such marketing efforts. We cannot and do not guarantee that we will be able to find a buyer for your Franchised Business. Further, any potential buyer and the sale of your Franchised Business will still be subject to the conditions for approval of transfer in Section 12.3 of this Agreement. If you do not sell your Franchised Business pursuant to the terms and conditions of Section 12 of this Agreement, you agree to continue to operate the Franchised Business during the remaining Initial Term or Successor Term of this Agreement, as applicable.

12.6 Security Interest. To secure payment and performance of any and all obligations from time to time owing by Franchisee to CRDN, including payment of any amount owing by Franchisee to CRDN in respect of goods and services from time to time purchased by Franchisee, or amounts outstanding pursuant to any loan or financing arrangements, Franchisee hereby grants to CRDN, a security interest in all of the assets and undertakings of Franchisee, including the inventory, equipment, leasehold improvements and other assets of the Franchised Business. Franchisee shall grant no other security interest in the Agreement or in any of its assets unless approved by CRDN and the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee. Notwithstanding the foregoing, Franchisor shall not be construed as a guarantor or surety for the Franchisee.

12.7 Conditions. Franchisee acknowledges and agrees that each of the foregoing conditions of Transfer that must be met by the Franchisee and the transferee are necessary and reasonable to assure such transferee's full performance of the obligations hereunder.

12.8 CRDN's Right of First Refusal. If you at any time determine to sell, assign, or Transfer for consideration your interest in this Agreement, you agree to obtain a bona fide, executed written offer and earnest money (in the amount of five percent (5%) or more of the offering price) from a responsible and fully disclosed offeror and immediately submit to us a true and complete copy of the offer which includes details of the payment terms. To be a valid, bona fide offer, the proposed purchase price is to be denominated in a dollar amount. We have the right, exercisable by written notice delivered to you within thirty (30) days from the date of the delivery to us of both an exact copy of the offer and all other information we request, to purchase the interest for the price and on the terms and conditions contained in the offer provided that:

- (a) We may substitute cash for any form of payment proposed in the offer;
- (b) Our credit will be deemed equal to the credit of any proposed purchaser;
- (c) We will have sixty (60) days, after giving notice of our election to purchase, to prepare for and complete the closing; and

- (d) We are entitled to receive, and you agree to make, the same representations and warranties given to the proposed purchaser.

If we do not exercise our right of first refusal under this Article 12.8, you may complete the sale to the purchaser on the exact terms of the offer, subject to our approval of the Transfer as provided in Articles 12.2 and 12.3. If the sale is not completed within sixty (60) days after the expiration of the right of first refusal, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30-day period following either the expiration of the 60-day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option. This right of first refusal under this Article 12.8 shall not apply to a Transfer to your spouse, child, parent, or another wholly-owned corporation.

**12.9 Transfer upon Death or Permanent Incapacity.** Upon the death or permanent incapacity (as determined and documented by a physician acceptable to Franchisor) of the Principal Owner or any person with an interest of twenty-five percent (25%) or more in Franchisee Entity, this Agreement, or all or a substantial portion of the assets of the Franchised Business(es), or upon the dissolution of a franchisee entity that is a partnership, company or corporation (any of which is an “Entity”), the executor, administrator, personal representative, or trustee of such person or Entity shall Transfer his/her or its interest to a third party approved by Franchisor within ninety (90) days of such death, permanent incapacity, or dissolution. Such Transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any Transfer pursuant to Article 12.3. of this Agreement; provided, that, if the rights are purchased by a surviving Principal Owner or are assigned to a Principal Owner’s immediate family member who has worked in the Franchised Business for a period of not less than six (6) months prior to the death or disability, no Transfer fee shall be charged. However, in the case of Transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in Article 12.3 of this Agreement, the personal representative of the deceased person shall have an additional thirty (30) days to dispose of the deceased’s interest, which disposition shall be subject to all the terms and conditions for Transfers contained in this Article 12. Upon the death or permanent incapacity of Principal Owner, Franchisor may terminate this Agreement upon thirty (30) days written notice to Franchisee’s last known business address unless the above procedures for Transfer are met.

**12.10 Non-Waiver of Claims.** Franchisor’s consent to a Transfer of any interest in Franchisee, this Agreement, or all or a substantial portion of the assets of this Agreement shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor’s right to demand exact compliance with any of the terms of this Agreement by the transferee.

**12.11 No Release of Franchisee’s Liability.** No assignment or any other Transfer by Franchisee, with or without Franchisor’s consent, during the term of this Agreement or any renewal period shall release Franchisee from any liability under the terms of this Agreement nor shall Franchisee be relieved of the obligations of performing any of the terms, covenants and conditions of this Agreement.

**12.12 Review of Information: No Guarantee of Success.** Franchisor may, but is not obligated to, review any information regarding your Franchised Business that you give the transferee, identify any information that we believe is inaccurate based on the information we have, and give the

transferee copies of any reports that you have given us or we have made regarding your Franchised Business.

Franchisor's consent to a transfer of this Agreement or the Franchised Business, or any interest therein, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Franchised Business' or transferee's prospects of success.

12.13 Involuntary Transfer. The personal confidence reposed in Principal Owner is a material part of the consideration for CRDN's entering into this Agreement and no person, legal entity or other third party shall succeed to any of the rights of Franchisee or Principal Owner under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors or legal process.

### **ARTICLE 13: TERMINATION OF THIS AGREEMENT**

13.1 Termination by Franchisee. At the end of the Initial Term or the Successor Term, you have the right to terminate this Agreement upon written notice to CRDN delivered at least ninety (90) days, but not more than one hundred eighty (180) days, prior to the expiration date of either the Initial Term or the Successor Terms and upon execution of a general release, in a form satisfactory to CRDN. This termination shall be effective upon the last day of the Initial Term or the Successor Term, as applicable. Immediately upon receipt of such notice to terminate, Franchisee agrees that CRDN may undertake efforts in and surrounding the Franchise Territory, including marketing efforts, to locate, secure and train a replacement franchisee to operate the Franchised Business. Any replacement franchisee shall not be permitted to operate the Franchised Business earlier than one day following the termination date.

13.2 Termination by CRDN. We have the right to terminate this Agreement, immediately effective upon delivery of written notice to you, upon the occurrence of any of the following:

- (a) Failure for Commencement of Operations to occur within six (6) weeks from the date of your successful completion of Initial Training;
- (b) You have made or make any material misrepresentation or omission in purchasing the Franchised Business or operating the Franchised Business;
- (c) You receive from us three (3) or more notices to cure the same or similar defaults or violations of this Agreement, including without limitation failure to meet your Minimum Monthly Gross Sales requirement, within any one (1) year period of time, regardless of whether such defaults are cured after such notice;
- (d) Principal Owner's Conviction of a felony, indictable offense, or any such crime or offense that is prohibited in connection with the eligibility for and/or participation in any Regional/National Program;
- (e) Misuse or any unauthorized use of CRDN's name or any of the Marks, the Franchise Management System, the Operations Manual, or other impairment of the goodwill associated with them of CRDN's rights in them;

- (f) Filing by Franchisee or Principal Owner of any voluntary or involuntary petition in bankruptcy, adjudication of bankruptcy, any assignment for the benefit of creditors, or appointment of a trustee or receiver in bankruptcy for Franchisee or upon CRDN's discovery and reasonable belief of Franchisee's or Principal Owner's financial insolvency (inability to pay debts as they come due) including receipt of three (3) or more notices of insufficient funds within any one (1) year period of time, for any fee due Franchisor under this Agreement;
- (g) As applicable to curable defaults only, after delivery of written notice to you (a "Default Notice"), if you fail to cure the condition and/or situation described in the Default Notice within ten (10) days of your receipt of such Default Notice;
- (h) You fail to make payment of any amounts due to us and do not pay the amounts due within ten (10) days of your receipt of our written notice of the failure, such notice being sent via standard mail or email by any CRDN employee and/or representative;
- (i) You understate your Royalty by five percent (5%) or more of the total Royalty owed, or do not record payments received within five (5) days of the payments being received, cashed or deposited, on three (3) or more occasions, in any reported financial statement, during any one-year time frame or the time frame of any applicable Audit, during the Initial Term or the Successor Term of this Agreement;
- (j) You violate any of the transfer provisions contained in this Agreement;
- (k) You engage in any dishonest or unethical conduct or illegal activities, including without limitation using, possessing, selling, distributing, manufacturing, purchasing or being under the influence of any illegal drugs, intoxicants, or controlled substances, which may adversely affect the reputation of the Franchised Business or the Franchise System, or the general goodwill associated with the Marks;
- (l) You fail, for a period of ten (10) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
- (m) You fail to comply with any part, provision, condition, warranty or certification of this Agreement, including any and all exhibits, addenda or modifications hereto, or any other agreement between Franchisee, Franchisee Entity or Principal Owner and us, or the Operations Manual, and do not correct such non-compliance within ten (10) days of your receipt of our written notice of the non-compliance;
- (n) You violate any covenant of non-competition, confidentiality or non-disclosure, and/or you fail to adhere to the use restrictions and limitations with respect to Confidential Information, during the Initial Term or the Successor Term, as set forth in this Agreement in Articles 9 and 10 or otherwise;
- (o) You fail to require and/or obtain any of the covenants regarding non-solicitation and non-competition for any persons for which such covenants are required in accordance with the terms and conditions set forth in Article 10 herein;

- (p) Either you or your Designated Representative abandon or cease to operate all or any part of the Franchised Business for more than ten (10) days (including without limitation failing to answer your CRDN Phone Number and/or respond to Franchisor's calls or emails);
- (q) You fail to comply with modifications to System Standards within the required time period in Article 11.2 herein;
- (r) You fail to maintain insurance as set forth in Article 11.3 of this Agreement and do not correct such failure within ten (10) days of receipt of written notice to you by us or within the timeframe required by any Program Partner in connection with any Regional/National Program;
- (s) You fail to receive our prior written approval and use products or materials that do not meet our standards and specifications, and do not discontinue use of such products or materials within ten (10) days of your receipt of our written notice to do so;
- (t) You fail to provide us in a timely manner with any report, statement, or return required by this Agreement;
- (u) You violate any marketing or servicing restriction set forth in Article 3.2 of this Agreement, and do not immediately cease to market or service those Customers upon your receipt of our written notice to do so;
- (v) In connection with Article 1.5 of this Agreement, you are in default for failure to comply with the standards outlined in any Regional/National Program, or any agreement entered into in connection with any Regional/National Program, or you have been suspended or otherwise restricted from participation in any Regional/National Program;
- (w) An unapproved Transfer or attempted unapproved Transfer;
- (x) Any other acts which may bring discredit on the Franchise System, CRDN's Business, or CRDN, including, but not limited to, willful acts of dishonesty toward CRDN, any Customer, any representative of a Regional/National Account, and/or any other third parties dealing with Franchisee, CRDN or other CRDN franchises; or
- (y) You fail to attend any Follow-up Training, Refresher Training, CRDN Convention or CRDN Regional Meeting (as applicable) in accordance with article 7.2, or fail to obtain the requisite prior written approval to not attend any Follow-up Training, Refresher Training, CRDN Convention or CRDN Regional Meeting (as applicable).

Notwithstanding any of the above-stated ten (10) day notice periods, where applicable, if the default for which such ten (10) day cure period is granted cannot be cured within ten (10) days solely for reasons outside of your control, but within such ten (10) day period you provide written satisfactory explanation and/or proof to CRDN, as determined in the sole discretion of CRDN, that you have commenced all reasonable actions to effectuate a cure and diligently pursue those actions to completion, then CRDN will extend an additional reasonable period, as determined in CRDN's sole discretion, in which to cure the applicable failure. Provided, however, that unless otherwise agreed in writing by Franchisor, in no event shall you have more than thirty (30) days of total cure period to cure any such default for which the ten (10) day cure period was originally permitted hereunder.

## ARTICLE 14: POST TERMINATION OBLIGATIONS

14.1 Obligations of Franchisee. Upon expiration or termination of this Agreement for any reason, Franchisee and Principal Owner agree to immediately do the following:

- (a) Franchisee shall execute any and all documents reasonably requested by Franchisor to properly terminate this Agreement and Franchisee's relationship with Franchisor as of the effective date of the termination. Such documents shall include, without limitation, a release, in a form satisfactory to Franchisor, executed by Franchisee and each of its shareholders/members, officers and directors, of any and all claims (except for claims which cannot be released pursuant to an applicable franchise law statute) against Franchisor and all of our past, present and future subsidiaries and affiliates, and all of their respective past, present, and future members, shareholders, direct and indirect parent companies, managers, officers, directors, employees, attorneys, representatives and designees, including, without limitation, any and all claims with respect to this Agreement and arising under federal, state and local laws, rules and ordinances, and such release shall provide CRDN with the right to perform a post-termination audit of the Franchised Business within one year from the termination date. Notwithstanding the foregoing, and without limitation, Franchisee shall not be required to release Franchisor for violations of federal and state franchise registration and disclosure laws. Furthermore, notwithstanding the foregoing, following any termination, Franchisee shall continue to remain responsible for its obligations of nondisclosure, non-competition and indemnification as provided elsewhere in this Agreement and shall execute any and all instruments reasonably requested by Franchisor to further evidence such liability;
- (b) Pay, within seven (7) days of the effective date of termination or expiration of this Agreement, all amounts determined to be due by us, including, but not limited to, all Royalties, including the estimated Royalty on CRDN Services jobs/assignments performed for Customers but not yet paid, Fund contributions, the pro-rated portion of your Annual Fixed Fee due and owing as of the termination date, all other fees, amounts owed for purchases from us, late payments, and interest and any other fees due to us; provided, however, that you acknowledge and agree that we are authorized, but not required, to apply any moneys we hold or otherwise come to our possession, that would otherwise be distributed to you, toward any outstanding fee, payment or other obligation arising out of this Agreement or any other agreement Franchisee has with CRDN. You acknowledge that this Article 14.1(a) does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance the operation of, the Franchised Business;
- (c) Upon termination for any default, pay the actual and consequential damages, costs, and expenses (including reasonable attorney and expert fees) incurred by us as a result of your default;
- (d) The obligation to pay the sums in Article 14.1 (a) and (b) above will create a lien in favor of us against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory of the Franchised Business and/or against any moneys we hold or otherwise come to our possession and we are authorized, but not required, to apply such moneys toward payment of such obligation; you will receive a credit to your account of any such application of moneys;

- (e) Any transferee (or purchaser of all or substantially all of the assets of the Franchised Business) shall be liable for payment of such items if you do not timely pay them. Provided, however, the foregoing sentence will not release or discharge you from your obligations to pay us pursuant to this Article 14 and/or to indemnify or reimburse the transferee or purchaser pursuant to the applicable purchase or transfer agreement;
- (f) Surrender all rights under this Agreement;
- (g) Strictly comply with, observe, and abide by all of the provisions of the covenants not to compete as set forth in Article 14.2 herein;
- (h) Strictly comply with, observe, and abide by any provisions and obligations set forth in this Agreement that by their nature survive the termination/expiration of the Agreement including, but in no way limited to provisions and obligations related to confidentiality and non-disclosure, indemnification, completion of any work in process as of the date of expiration or termination and/or response to any completed work in accordance with all System Standards set forth in Article 11.1 of this Agreement; provided, however, that you acknowledge and agree that we (or any of our employees, representatives or affiliates) are authorized, but not required, to perform or employ another person or entity to perform any action necessary to comply with such provisions and obligations, to the extent they are not personal in nature, on your behalf and to receive compensation therefor, including compensation for all costs and fees associated with such performance, from you within seven (7) calendar days from your receipt of an invoice for such performance. Additionally, in the event that CRDN (or any of our employees, representatives or affiliates) performs actions on your behalf, or any of your obligations remain unpaid, you acknowledge and agree that we are authorized, but not required, to apply any moneys we hold or otherwise come to our possession, that would otherwise be distributed to you, toward any outstanding fee, payment or other obligation arising out of performance of such actions as described in this Article 14.1(g). You acknowledge that this Article 14.1(g) does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your compliance with the requirements set forth in this Article 14.1(g);
- (i) Neither directly nor indirectly represent to the public that any other business you may then own or operate, is or was operated as, or was in any way connected to, the Franchise System;
- (j) Immediately cease to use any of our Confidential Information (including any computer software that we have licensed to you) in any business or otherwise;
- (k) Not hold yourself as a present or former Franchisee of ours;
- (l) Immediately cease use of the Marks, which have been licensed to Franchisee, or any name or initials similar thereto in Franchisee's corporate name, on signs, places of business or advertising of any nature, directly or indirectly;
- (m) Upon the request of CRDN, assign any and all accounts receivable to us for collection, unless all Royalties and other payment obligations to us are paid in full. In connection with

this assignment, you appoint us as attorney-in-fact to engage in such collection activities and you specifically undertake to refrain from engaging in any such collection activities. We have no duty or obligation to you to accomplish the collection of such accounts receivable;

- (n) De-identify the premises used in operating the CRDN franchise including, but not limited to, removal and destruction of signs, markings and materials containing the Marks or otherwise identifying or relating to the CRDN Business, and allow us, without liability to you or third parties, to remove all of these items from your place of business;
- (o) Cease use of any materials containing the Marks;
- (p) Comply with the provisions of Article 9.5 of this Agreement regarding return and destruction of Confidential Information including the requirement to return (or, at Franchisor's option, destroy and provide Franchisor written confirmation of such destruction) all Confidential Information (see Article 9.1 for a complete definition and description) and all other documents relating to the CRDN Business and the Franchise System then in Franchisee's and/or its representatives' possession or control, and all copies thereof, within seven (7) days,;
- (q) Deliver to us, within seven (7) days, all lists and contact information for all Customers, suppliers and subcontractors with which the Franchisee and/or the Franchised Business has had business relations of any kind.
- (r) Not operate or do business under any name or in any manner which might tend to give the general public the impression that you are operating a CRDN franchise, or any confusingly similar business;
- (s) Take the action required to cancel all DBAs or equivalent registrations relating to your use of any Mark;
- (t) Notify the telephone company and all telephone directory publishers of the transfer of your use of any telephone, telecopy, or other numbers and any telephone directory listings associated with any Mark, as provided for us in the Telephone Listing Agreement attached to this Agreement as Exhibit D and incorporated herein by reference (the "Telephone Listing Agreement"). If you fail to do so, we can take whatever action is necessary, on your behalf consistent with the Telephone Listing Agreement, to affect these events;
- (u) Deliver to us, upon our request, an assignment of any Facility Lease or other real estate leases for property from which the Franchised Business was operated. This shall not apply to the principal place of business for your existing drycleaning business; and
- (v) Deliver to us, within thirty (30) days, written confirmation and any applicable evidence that is satisfactory to us of your compliance with each of the foregoing obligations.

#### 14.2 Covenant Not to Compete.

14.2.1 Terms of Covenant Not to Compete. For a period of twenty-four (24) months from the time of expiration or termination of this Agreement for any reason or in the case of a Transfer as provided in Article 12, you promise not to, either directly or indirectly, for yourself, or through



or on behalf of, or in conjunction with any person, legal entity or other third party, engage as an owner, shareholder, partner, director, officer, employee, consultant, salesperson, representative, or agent or in any other capacity in any Competitive Business within:

- (a) The Franchise Territory;
- (b) The geographic area encompassed by the territories of any CRDN franchisees as of the date of the termination or expiration of this Agreement; or
- (c) A geographic area that is contained in a circle having a radius of twenty (20) miles outward from the borders of the Franchise Territory.

14.2.2 Fairness and Reasonableness. Franchisee acknowledges and agrees that the covenants not to compete set forth in this Article 14 are fair and reasonable and will not impose any undue hardship on Franchisee, or Franchisee's shareholders, members or partners, if Franchisee is a corporation, limited liability company or partnership, since Franchisee, its shareholders, members or partners have other considerable skills, experience and education which afford Franchisee, its shareholders, members or partners the opportunity to derive income from other endeavors.

14.2.3 Exclusion from Covenant. Article 14.2.1 shall not apply to standard retail dry cleaning and/or laundry services that do not comprise part of any services offered or performed in connection with the Franchised Business, including without limitation, CRDN Services. Article 14.2.1 shall also not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

14.2.4 Remedies. Franchisee acknowledges and agrees that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available and it would be difficult and impractical to calculate and ascertain accurately or definitively the damages which would be sustained by CRDN. Accordingly, in the event of any breach or threatened breach by Franchisee of the terms of the covenants not to compete set forth in Article 14.2.1, Franchisee hereby agrees that CRDN shall have the right to: obtain a temporary restraining order and preliminary and permanent injunctions and other equitable relief restraining and enjoining Franchisee from initiating or continuing, directly or indirectly, any breach of any provision of Article 14.2.1; recover all actual damages sustained by CRDN directly or indirectly as a result of any breach of any provision of Article 14.2.1 and the right to obtain a judgment for that amount; and recover all costs and expenses, including reasonable attorneys' fees, incurred in enforcing CRDN's rights and remedies under this Agreement. The foregoing rights and remedies shall be cumulative and not alternative, and shall be in addition to every right and remedy given to CRDN under this Agreement and existing at law or in equity, by statute or otherwise. The election of one or more rights or remedies shall not constitute a waiver of the right to pursue other rights or remedies.

Further, Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from or relating to this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement.

## ARTICLE 15: DISPUTE RESOLUTION

15.1 Mediation. As a condition precedent to filing or asserting any claims in litigation or arbitration (with the exception of any claim for injunctive and equitable relief as described herein), the parties to this Agreement shall first submit any dispute arising under this Agreement to non-binding mediation in the county and state in which the Franchisor then maintains its principal place of business. Any party initiating mediation pursuant to this paragraph shall do so through the American Arbitration Association (the “AAA”) or such other neutral third-party administrator as designated by Franchisor. All costs of mediation shall be equally borne by the parties. Each party shall personally appear at mediation. This non-binding mediation shall be a condition precedent for either party to proceed further with litigation, but shall not preclude, stay or otherwise result in a “stand-still” with respect to any petition for equitable relief such as for an injunction or restraining order or to the exercise of either Party’s rights, duties or obligations under the terms of this Agreement. This Article 15 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which solely concern the failure to pay fees or other monetary obligation(s) of either party under said agreement(s). All aspects of the mediation including statements made and documents produced within the mediation will be confidential in nature and will not be admissible in any subsequent arbitration or other legal proceeding.

15.2 Arbitration. Except to the extent that either party seeks temporary, preliminary or other injunctive or other equitable relief to enforce provisions of this Agreement, and except for any controversy or claim relating to the improper or unauthorized use or ownership of the Marks, the breach of non-competition covenants, or the disclosure or improper or unauthorized use of confidential or proprietary information by Franchisee, all controversies, claims or disputes between Franchisor and Franchisee (and/or any affiliates of Franchisee or Franchisor, and/or any of their respective shareholders, directors, partners, officers, employees, agents, lawyers,, accountants, associates or guarantors, and/or any of their successors or assigns) arising out of or relating to (a) this Agreement or any other agreement between Franchisor and Franchisee, (b) the relationship between Franchisee and Franchisor, (c) the validity of this Agreement or any other agreement between Franchisor and Franchisee, or (d) statutory obligations owing between Franchisor and Franchisee shall be determined by arbitration pursuant to the rules of the arbitration body designated by Franchisor and through submission of a demand for arbitration to the designated arbitration body. To the extent that there is any difference between the rules of the arbitration body selected and this Agreement, this Agreement shall prevail. The arbitration shall be conducted at the office of the designated arbitration body closest to Franchisor’s principal executive office on the date of such demand, or such other place mutually agreed by the parties, unless the Franchised Business is located in a state with a franchise law statute requiring arbitration in the state of the Franchised Business, in which case the arbitration proceedings shall occur in such state, in a city selected by the Franchisor. Such arbitration shall be conducted before a single arbitrator, and the determination of the arbitrator shall be final and binding upon all parties concerned. The arbitrator shall issue a reasoned decision, made in accordance with the legal principles applicable to the claims made, within thirty (30) days of the close of the arbitration hearing record. In any arbitration proceeding, Franchisor and Franchisee agree that each must combine all claims, and submit or file any claim which would constitute a compulsory counterclaim within the same proceeding as the claim to which it relates. Any claim not submitted or filed as required is forever barred. The arbitration will be conducted on an individual basis, and no claims may be submitted as class or group actions. The arbitration proceeding may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

The arbitrators shall not award punitive or exemplary damages to any party involved, except as permitted by the U.S. Trademark Act of 1946 as amended through the date of that the arbitration record is closed. Except when this Agreement is governed by the law of the province in which the Franchised Business is located, the submission of evidence in all hearings must comply with the Federal Rules of Evidence and the Federal Rules of Civil Procedure, as they relate to pretrial discovery, except that the arbitrator may establish deadlines and restrictions on discovery as the arbitrator deems reasonable under the circumstances. In all other respects, the rules of the designated arbitration body and the United States Arbitration Act shall control. Judgment upon the award rendered by the arbitration may be entered in any court having competent jurisdiction thereof. All parties shall bear their own costs for participation in the arbitration, except for any external costs of conducting the arbitration, including the arbitrator's costs, which shall be borne equally between them. All aspects of the arbitration including statements made and documents produced within the arbitration will be confidential in nature and will not be admissible in any subsequent legal proceeding. The agreement to arbitrate provided for herein shall continue in full force and effect subsequent to and notwithstanding the expiration, termination, non-renewal or purported rescission of this Agreement, for any reason. Any provision in any applicable arbitration statute that seeks to limit the effect of this Article 15.2 to any dispute on the basis that the dispute is proper for summary judgment shall not be applicable.

15.3 Injunctive Relief. Notwithstanding any provision contained in this Article 15, either party may at its option institute an appropriate court action or actions for temporary, preliminary, or permanent injunctive relief or seeking any other equitable relief against Franchisee in addition to any other rights and remedies provided herein.

15.4 Limitation of Remedies and Class Proceedings. In no event shall Franchisee be entitled to make, nor shall Franchisee make, any claim, and Franchisee hereby waives any claim for money damages, nor shall Franchisee claim any money damages by way of set-off, counterclaim or defense, based upon any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by Franchisee under any of the terms of this Agreement. Franchisee's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, or for specific performance, or declaratory judgment. Franchisee hereby agrees to waive any class action proceeding or counterclaim in respect of any dispute against Franchisor and/or any of its affiliates or their respective shareholders, directors, partners, officers, employees, agents, lawyers, accountants, associates or guarantors, successors or assigns, whether at law or equity.

**FRANCHISEE UNDERSTANDS AND AGREES THAT THESE ARBITRATION PROCEDURES PRECLUDE FRANCHISEE AND CRDN FROM LITIGATING CLAIMS THROUGH COURT OR HAVING A JURY TRIAL ON THAT CLAIM, OR ENGAGING IN PRE-ARBITRATION DISCOVERY EXCEPT AS PROVIDED FOR IN THE ARBITRATION RULES AND ARTICLE 15.2. FURTHER, FRANCHISEE WILL NOT HAVE THE RIGHT TO PARTICIPATE AS A REPRESENTATIVE OR MEMBER OF ANY CLASS OF CLAIMANTS PERTAINING TO ANY CLAIM SUBJECT TO ARBITRATION. THE ARBITRATION DECISION WILL GENERALLY BE FINAL AND BINDING. OTHER RIGHTS THAT FRANCHISEE WOULD HAVE IF FRANCHISEE WENT TO COURT MAY ALSO NOT BE AVAILABLE IN ARBITRATION.**

15.5 Costs and Attorney's Fees. In any dispute arising out of this Agreement each party shall be responsible for their own costs and expenses, including reasonable attorneys' fees; provided, however, that any party hereunder failing to comply with Article 15.2 herein, including, but not

limited to, failing or refusing to arbitrate a dispute or to abide by the decision of the arbitration panel, and not including the exercise of said party's rights under this Article 15.5, shall be liable to the other party for all costs and attorneys' fees incurred in enforcing the arbitration provisions.

## **ARTICLE 16: APPROVALS AND WAIVERS**

16.1 Written Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor thereof and such approval or consent shall be obtained in writing.

16.2 No Waiver. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. Waiver by Franchisor of any particular default by Franchisee shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions or covenants hereof affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## **ARTICLE 17: NOTICE**

All notices, requests, demands and other communications (collectively, a "notice") which are required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and received (a) upon delivery, if personally delivered; (b) upon confirmed transmittal, if by facsimile; (c) when sent, if sent by electronic mail during normal business hours of the recipient, and if not, then the next business day; (d) on the next business day, if sent by a nationally recognized overnight courier and receipted for by the recipient or an agent of the recipient; or (e) three (3) business days after mailing, if mailed by registered or certified United States mail, postage prepaid and return receipt requested, and addressed to the party to whom it is directed, at such party's address set forth below, or to such other address as a party may have furnished to the other party by a notice hereunder:

A. If to Franchisor:

CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC  
2060 Coolidge Hwy.  
Berkley, MI 48072  
Attention: Wayne Wudyka  
Telephone: (248) 246-7878  
Facsimile: (248) 246-7868  
Electronic Mail: wayne.wudyka@crdn.com

With a copy to:  
K. Dino Kostopoulos, Esq.  
Kostopoulos Law Group, PLLC  
550 W. Merrill St, Suite 100  
Birmingham, MI 48009-1443  
Telephone: (248) 268-7800  
Facsimile: (248) 268-7801  
Electronic Mail: [dino@korolaw.com](mailto:dino@korolaw.com)

B. If to Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
Electronic Mail: \_\_\_\_\_

#### **ARTICLE 18: DISCLOSURE STATEMENT AND DISCLAIMER**

18.1 Compliance with Applicable Franchising Laws. The following section applies only in the event this Agreement shall have effect within a state requiring compliance with pre-sale franchise disclosure law: Franchisee acknowledges that it has received as one document at one time, either personally, electronically via email, or by registered mail, a copy of the form of this Agreement, the schedules hereto, and the applicable complete franchise disclosure document (collectively, including the format and method of receipt of the foregoing documentation, the "Required Disclosure Material"), not less than fourteen (14) days prior to the earlier of: (i) the date on which this Agreement or any other agreement relating thereto was executed, and (ii) the payment of any consideration by or on behalf of Franchisee relating to this Agreement or the franchise relationship. If the Franchised Business will be operated in New York or Rhode Island, Franchisee acknowledges that it has received the Required Disclosure Material prior to the earlier of: (i) the first personal meeting to discuss your franchise; or at least ten (10) business days before the execution of this Agreement or any other agreement or the payment of any consideration by or on behalf of Franchisee relating to this Agreement or the franchise relationship. If the Franchised Business will be operated in Iowa, Michigan, Oklahoma, or Wisconsin, Franchisee acknowledges that it has received the Required Disclosure Material not less than ten (10) business days prior to the earlier of: the date on which this Agreement or any other agreement relating thereto was executed; or (2) the payment of any consideration by or on behalf of Franchisee relating to this Agreement or the franchise relationship. Franchisee has had ample opportunity to review such franchise disclosure document with its own legal counsel and has had ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee has received for Franchisee's own use a copy of this Agreement with any unilateral changes made by Franchisor at least seven (7) full calendar days prior to signing this Agreement. Franchisee read and understood the contents of this Agreement and has had ample time and opportunity to review the same with its own legal counsel.

18.2 Acknowledgement. Franchisee acknowledges and accepts the following:

**THE SUCCESS OF FRANCHISEE IN DEVELOPING, OWNING AND OPERATING A FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, FRANCHISEE'S INDEPENDENT BUSINESS ABILITY. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESS RESTS SOLELY WITH FRANCHISEE. FRANCHISEE HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE FRANCHISEE TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN OR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT. FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO FRANCHISEE AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER THE ULTIMATE OPERATION OF FRANCHISEE'S BUSINESS. FRANCHISEE ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN OR THE INFORMATION CONTAINED IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT.**

#### **ARTICLE 19: ENTIRE AGREEMENT**

19.1 Entire Agreement. This Agreement, the documents referred to herein, and the Exhibits or Addenda hereto, if any, constitute the entire, full, and complete agreement between Franchisor and Franchisee concerning the subject matter thereof, and supersede all prior or contemporaneous agreements, no other representations having induced Franchisee to execute this Agreement. No representations, inducements, promises, or agreements, oral or otherwise, not embodied herein, therein or attached hereto or in Franchisor's Franchise Disclosure Document (unless of subsequent date) were made by either party, and none shall be of any force or effect with reference to this Agreement or otherwise. No amendment, restatement, supplement, change, modification or variance to this Agreement shall be binding on either party unless mutually agreed to by Franchisor and Franchisee and executed by their respective authorized officers or agents in writing. Nothing in this Agreement, the documents referred to herein, or the Exhibits or Addenda hereto, if any, are intended to disclaim the representations Franchisor made in Franchisor's Franchise Disclosure Document that it furnished to you.

## ARTICLE 20: SEVERABILITY AND CONSTRUCTION

20.1 Severability. Except as expressly provided to the contrary herein, each Article, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any Article, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, Articles, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid Articles, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Franchisor determines that such finding of invalidity or illegality adversely affects the basic consideration of this Agreement, Franchisor, at its option, may terminate this Agreement.

20.2 No Third Party Rights. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person, legal entity or other third party other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated hereinabove, any rights or remedies under or by reason of this Agreement.

20.3 Captions. All captions in the agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provisions hereof.

20.4 References. All references herein to the masculine, feminine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable, and all acknowledgements, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all the parties hereto on behalf of Franchisee.

20.5 Counterparts. This Agreement may be executed in counterparts (including counterparts delivered via facsimile, electronic mail or other electronic transmission), each of which shall be deemed an original and such counterparts together shall constitute one and the same instrument. Any signature delivered electronically (including via facsimile, electronic mail or other electronic transmission) will be binding to the same extent as an original signature page. An electronic record or electronic signature of this Agreement shall be deemed valid and enforceable under Michigan's Uniform Electronic Transactions Act, MCL 450.831 et seq. A copy of this Agreement shall have the same effect as an original.

20.6 Inurement. All of the terms and provisions of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their heirs, successors, and permitted assigns.

20.7 Survival. All CRDN's and Franchisee's respective obligations that expressly or by their nature survive the expiration or sooner termination of this Agreement continue in full force and effect subsequent to and notwithstanding its expiration or termination. Such obligations continue in full force and effect until they are satisfied or by their nature expire.

## ARTICLE 21: APPLICABLE LAW; VENUE

21.1 Rights Not Exclusive. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

21.2 Injunctive Relief. Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee acknowledges that any failure to comply with the terms of this Agreement will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the terms of this Agreement.

21.3 Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, or to the extent governed by the laws of the state in which the Franchised Business is located, this Agreement and all claims arising from the relationship between Franchisee and Franchisor shall be interpreted under the laws of the state of Michigan without regard to its conflict of laws rules. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes not subject to Article 15 of this Agreement which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the Franchisee, its officers, directors or managers and the Franchisor, its officers, directors, managers or sales employees, all parties agree that, subject to the provisions of Article 15, the exclusive venue for disputes between them shall be in the appropriate state or federal court located in or serving the state and county (or parish) in which Franchisor maintains its headquarters at the time any dispute resolution proceeding is commenced by either party and each waive any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Michigan.

**[Signature page follows]**



**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Agreement on the date stated on the first page hereof.

CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC, a Michigan limited liability company

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

Name: Wayne M. Wudyka

Its: Chief Executive Officer

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_1»

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_2»

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_1»

Its: Authorized Representative

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_2»

Its: Authorized Representative

**EXHIBIT A –FRANCHISE TERRITORY**

EXHIBIT A  
TO THE FRANCHISE AGREEMENT  
BETWEEN CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC;  
«PRINCIPAL\_OWNER\_1», «PRINCIPAL\_OWNER\_2»; AND «LLC\_OR\_CORP»

DATED \_\_\_\_\_

The “Franchise Territory” referred to in Articles 1.1 and 3 of the Franchise Agreement will be defined as follows:

County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )
County of <_____>, State of <_____> ( _ - _ )

CERTIFIED RESTORATION  
DRYCLEANING NETWORK, LLC,  
a Michigan limited liability company

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

Name: Wayne M. Wudyka  
Its: Chief Executive Officer

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_1»

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_2»

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_1»

Its: Authorized Representative

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_2»

Its: Authorized Representative

## EXHIBIT 2A –PROMISSORY NOTE



This promissory note (the “Note”) is made and entered into on \_\_\_\_\_ in accordance with the terms of the Franchise Agreement between Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company (referred to in this Note as “CRDN,” “Franchisor,” “Maker,” “us,” “we,” or “our”), and «LLC\_or\_Corp» (referred to in this Note as “Franchisee,” “Payee,” “you,” or “your”) executed concurrently with this Note (the “Franchise Agreement”), under which Franchisor granted Franchisee the right to own and operate a franchised business (the “Franchised Business”). FOR VALUE RECEIVED, Franchisee promises to pay to CRDN, the principal sum of \$«Note» together with interest at the rate of ten percent (10%) per annum. Interest shall be payable from the date of this Note, both before and after maturity, demand, default, or judgment until actual payment in full. Capitalized terms used but not defined herein shall have the respective meaning ascribed thereto in the Franchise Agreement.

### 1. **Franchisee Obligations.**

- A. Payment Terms.** The principal and interest shall be paid in equal monthly installments. The first installment shall be due via electronic funds transfer (“EFT”) on the first of the month following the successful completion of the Initial Training, as set forth in Article 7 of the Franchise Agreement, and thereafter monthly installments will be due on the first day of each successive month until the principal and interest due under this Note have been paid in full. Provided however, that the entire principal balance together with all accrued interest thereon shall be due and payable on or before twelve (12) months following the payment of the first installment, anything herein to the contrary notwithstanding. Monthly installments shall be applied first upon interest and the balance upon principal. Should any monthly installment not be paid when due, then the whole sum of the remaining principal and interest shall become due immediately and payable without notice or demand at the option of the holder of this Note.
- B. No Prepayment Penalty.** This Note may be prepaid in full at any time without restriction or penalty.
- C. Purpose.** The undersigned hereby confirms that the proceeds of this Note will be used for the business purpose of starting up and operating the Franchised Business.
- D. Enforcement Costs.** In the event that the undersigned should default under this Note, and legal proceedings are commenced to collect the indebtedness evidenced hereby, the undersigned agrees to pay all costs and expenses, including reasonable attorney fees, incurred in the collection of this Note.

**E. Transfer.** Should Franchisee transfer or assign their franchise rights to a third party, in accordance with Article 12 of the Franchise Agreement, prior to the pay-off of this Note, said Note must be paid in full before Franchisor, will approve such transfer or assignment.

**F. Security Interest.** As general and continuing security for the due payment, observance, and performance by the Franchisee of its present and future liabilities, obligations and indebtedness, whether direct or indirect, absolute or contingent, joint or several, matured or un matured, in any currency, arising by agreement or under this Note, the Franchisee grants to CRDN a security interest in all personal property (including, without limitation, inventory, equipment, appliances, signage, furnishings, fixtures, intangibles, accounts, instruments, goods and money, but excluding consumer goods) (the “Collateral”) now or hereafter used in carrying out of the Franchised Business. The parties acknowledge that (a) Franchisee has rights in the Collateral, (b) CRDN has given value to Franchisee, (c) the parties have not agreed to postpone the time for attachment of the security interest, and (d) the security interest is to attach (i) as to Collateral in which Franchisee now has rights, when Franchisee executes this Note and (ii) as to Collateral in which the Franchisee subsequently acquires rights, when the Franchisee first obtains those rights.

**2. Default.** In the event that any of the requirements set forth in this Note are not indefeasibly paid, performed or satisfied in a timely fashion or Franchisee fails to comply with any of the terms of the Franchise Agreement or any other agreement entered into between CRDN and Franchisee, Franchisee shall be deemed in default under this Note, the Franchise Agreement and any other agreement entered into between CRDN and Franchisee, CRDN shall have the right, at its option, without notice of any kind to Franchisee to: (a) declare any obligations, due and owing under the Note, Franchise Agreement and/or any other agreement entered into between CRDN and Franchisee, to be due and owing immediately; (b) terminate the Franchise Agreement and/or any other agreement entered into between CRDN and Franchisee; and (c) pursue any and all rights and remedies available under the Note, Franchise Agreement and/or any other agreement entered into between CRDN and Franchisee, at law, in equity or otherwise with respect to the owed sums (and/or any other obligations due under the Note or Franchise Agreements). In addition, in the event of a Note default, Franchisee shall be deemed to have surrendered any and all rights to the Franchised Business and the Franchise Territory and CRDN shall be authorized to assign and award the Franchise Territory to any other franchisee of its choosing.

**3. Personal Guaranties.** In consideration of and as an inducement to Franchisor signing and delivering this Note, each Principal Owner of Franchisee, [Principal Owner 1] and [Principal Owner 2] (each, a “Guarantor”, and collectively, the “Guarantors”) personally signing this Note personally and unconditionally: (a) guarantees to Franchisor and its respective successors and assigns that the Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in this Note; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in this Note and any other agreement entered into between Franchisor and Franchisee (collectively, the “Guaranty”).

**A. Consent and Agreement.** Each Guarantor consents and agrees that (a) such Guarantor’s direct and immediate liability under the Guaranty is joint and several; (b) such Guarantor must render any payment or performance required under the Franchise Agreement upon demand if the Franchisee fails or refuses punctually to do so; (c) such Guarantor’s liability will not be contingent or conditioned upon Franchisor’s pursuit of any remedies against the Franchisee or any other person; (d) such Guarantor’s liability will not

be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Note or the Guaranty; and (e) the Guaranty will continue and is irrevocable during the term of the Franchise Agreement and, if required by the Franchise Agreement, after its termination or expiration.

**B. Acknowledgments.** Franchisor and its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the liabilities of Franchisee to Franchisor (the “Liabilities”), whether or not it or their successors have resorted to any property securing any of the Liabilities or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the Liabilities; (b) release or compromise any liability of any of the undersigned hereunder or any liability of any party or parties primarily or secondarily liable on any of the Liabilities; (c) extend, renew or credit any of the Liabilities for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the Liabilities; or (e) give any other form of indulgence, whether under this Note, the Franchise Agreement or otherwise. Each of the undersigned agrees to comply with and abide by the restrictive covenants and nondisclosure provisions contained in the Franchise Agreement and any exhibit or attachment thereto, as well as the provisions in the Franchise Agreement relating to the Marks, to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions, except to the extent otherwise required by the Franchise Agreement. The obligations of the undersigned shall survive any expiration or termination of the Franchise Agreement, this Note or the Guaranty.

**C. Enforcement Costs.** If Franchisor is required to enforce the Guaranty in any judicial or arbitration proceeding or any appeals, each Guarantor must reimburse Franchisor for its enforcement costs. Enforcement costs include reasonable accountants’, attorneys’, attorney’s assistants’, arbitrators’ and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the Guaranty.

**D. Effectiveness.** Each of the Guarantor’s obligations under the Guaranty are effective on the effective date of the Franchise Agreement, regardless of the actual date of signature. Each Guarantor irrevocably submits to the jurisdiction and venue of the courts specified in the Franchise Agreement.

#### **4. Miscellaneous.**

**A. Waiver.** Payee waives demand for payment, presentment, notice of dishonor, and protest of this Note and consents to any extension or postponement of time of its payment, to any substitution, exchange, or release of all or any part of any security given to secure this Note, to the addition of any party, and to the release, discharge, waiver, modification, or suspension of any rights and remedies against any person who may be liable for the indebtedness evidenced by this Note. Moreover, each Guarantor hereof hereby waives: (a) acceptance and notice of acceptance by Franchisor of each of the Payee’s and the Guarantor’s obligations under this Note and the Guaranty, as applicable; (b) notice of

demand for payment of any indebtedness or nonperformance of any obligations guaranteed by any Guarantor; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by Guarantor; (d) any right such Guarantor may have to require that an action be brought against the Franchisee or any other person as a condition of the Payee's or any Guarantor's liability; (e) all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against the Franchisee arising as a result of such Guarantor's execution of and performance under the Guaranty; and (f) all other notices and legal or equitable defenses to which Payee may be entitled, or any Guarantor may be entitled in such Guarantor's capacity as guarantor.

- B. Governing Law.** The terms of this Note, including the Guaranty, shall be governed by and construed in accordance with the laws which govern the Franchise Agreement.
- C. Assignment.** Franchisor may assign sell, transfer or encumber its rights under this Note without Franchisee's prior consent. Any such assignment, sale, transfer, or encumbrance by Franchisor shall relieve Franchisor of its liability to Franchisee under the terms of this Note.

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Note on the date stated on the first page hereof.

FRANCHISEE ENTITY: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Principal\_Owner\_1»  
Its: Authorized Representative

FRANCHISEE ENTITY: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Principal\_Owner\_2»  
Its: Authorized Representative

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_1»  
In his personal capacity

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_2»  
In his personal capacity

**EXHIBIT B – INITIAL PACKAGE**

EXHIBIT B  
 TO THE FRANCHISE AGREEMENT  
 BETWEEN CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC;  
 «PRINCIPAL\_OWNER\_1», «PRINCIPAL\_OWNER\_2»; AND «LLC\_OR\_CORP»  
 DATED \_\_\_\_\_

**INITIAL PACKAGE**

Quantity	Item*
	<b><i>Supplies</i></b>
25 sheets	CRDN Address Labels
25	Memo Pads
100	Thank You Notes
1500	Bag Tags
5 sets	Blue Pens and Black Spiral Notebooks
4	Coffee Mugs
80	Pickup Bags
20	Rush Pickup Bags
4	Special Items Bags
1	Allowance for Delivery Vehicle Graphics
1	Case CRDN Logo Tape (24 rolls)
500	Box Labels
	<b><i>Technology and Related Hardware</i></b>
1	TPP Development Interface**
1	In-Field Job Processing Tablet and Tablet set up and training**
	<b><i>Sample Marketing Materials</i></b>
10	Complete Homeowner Folders with Brochures
10	Complete Adjuster Folders with Brochures
40	Complete Contractor Folders with Brochures
	<b><i>Marketing Materials</i></b>
500	CRDN Pocket Folders
250	Adjuster Brochures
250	Contractor Brochures
250	Homeowner Brochures
500	Business Cards
	<b><i>Uniforms</i></b>
2	Certified Restoration Drycleaning Network Polo Shirts
2	Certified Restoration Drycleaning Network Dress Shirts
1	Certified Restoration Drycleaning Network Blue Hat
2	Certified Restoration Drycleaning Network White Hats



Quantity	Item*
1	<b>\$1,000 Convention Allowance to be used for registration fees***</b>
	<b>Forms</b>
100	Work Authorization Forms – USAA (duplicate)
500	Fur and leather forms (duplicate)
3,000	Inventory Form (duplicate)

*\*In the event any item above becomes unavailable, we will endeavor to provide you with alternative items of equal value.*

*\*\* The initial fees for such items are included as part of your payment for the Initial Package. You are obligated to pay additional fees related to the Franchise Management System as described in Article 2.10 of the Franchise Agreement and the Software License Agreement.*

*\*\*\* This allowance is to be used toward registration fees for the next scheduled CRDN Convention or CRDN Regional Meeting (whichever is applicable) after the execution date of this Franchise Agreement. This allowance will not carry over to future CRDN Conventions or CRDN Regional Meetings. If your expenses are less than \$1,000, the difference will be rebated to you. The allowance cannot be used to offset any other expenses or requirements associated with your Franchised Business and if you do not attend the next scheduled CRDN Convention or CRDN Regional Meeting as required, it will not be refunded to you.*

SIGNATURE PAGE FOLLOWS

CERTIFIED RESTORATION  
DRYCLEANING NETWORK, LLC,  
a Michigan limited liability company

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

Name: Wayne M. Wudyka

Its: Chief Executive Officer

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_1»

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_2»

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_1»

Its: Authorized Representative

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_2»

Its: Authorized Representative

## EXHIBIT C – SOFTWARE LICENSE AGREEMENT

EXHIBIT C  
TO THE FRANCHISE AGREEMENT  
BETWEEN CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC;  
«PRINCIPAL\_OWNER\_1», «PRINCIPAL\_OWNER\_2»; AND «LLC\_OR\_CORP»

This FRANCHISE MANAGEMENT SYSTEM LICENSE AGREEMENT (this “Agreement”) made and effective as of \_\_\_\_\_, between CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC, a Michigan limited liability company, having its principal office at 2060 Coolidge Hwy, Berkley, Michigan 48072 (“CRDN” or “Franchisor”), and the following individual(s) «Principal\_Owner\_1», «Principal\_Owner\_2» (singly, or collectively if more than one, the “Principal Owner”); and «LLC\_or\_Corp» limited liability company / corporation either currently existing or to be formed (“Franchisee Entity” and together with Principal Owner, the “Licensee” or “Franchisee”).

This Agreement is being entered into pursuant to Article 2.10 of the franchise agreement dated \_\_\_\_\_, between Franchisor and Licensee the “Franchise Agreement”). All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Franchise Agreement. This Agreement applies to the software and related service(s) and products made available by Franchisor or its vendors and related to the Franchisee’s use of the Franchise Management System for the provision of the CRDN Services. Licensee must utilize the Franchise Management System in the operation of the Franchised Business.

1. License Grant: Subject to the terms and conditions of this Agreement, CRDN hereby grants to Licensee a renewable non-exclusive, non-assignable limited license (the “License”) to use CRDN’s current Franchise Management System, and all subsequent upgrades, on Licensee’s computer, Tablet(s), or any other authorized devices (collectively, “Devices”) via a secured web-based interface or otherwise. This License does not extend to other parties, even if they use the same Devices. This License is listed and included as part of the Initial Package (Exhibit B of the Franchise Agreement).

2. Payment and Fees:

(a) Initial License Fee. Licensee shall, upon execution of this Agreement, pay an “Initial License Fee” of \$5,700. The Initial License Fee for an initial CRDN franchise purchase is included in the Initial Package Fee, and payable in accordance with Article 2.1.3 of the Franchise Agreement. This fee is not assessable upon renewal or purchase of an existing CRDN franchise.

(b) TPP Development Fee. Licensee shall, upon execution of this Agreement, pay a “TPP Development Fee” of \$1,000. The TPP Development Fee for an initial CRDN franchise purchase is included in the Initial Package Fee and payable in accordance with Article 2.1.3 of the Franchise Agreement. This fee is not assessable upon renewal or purchase of an existing CRDN franchise.

(c) In-Field Job Processing Tablet. In connection with an initial CRDN franchise purchase, upon execution of this Agreement, Licensee shall pay a “Tablet Fee” of \$600 for one (1) in-field job processing Tablet and the associated set-up and initial training thereon and such Tablet Fee is included in the Initial Package Fee, and payable in accordance with Article 2.1.3 of the

Franchise Agreement. In connection with a renewal or purchase of an existing CRDN franchise, in the event the terms of Article 2.10.7 were not previously complied with, Licensee must pay the Tablet Set-Up and Training Fee (currently, \$200) Franchisee must purchase, maintain and utilize at least one Tablet in the Franchise Territory in accordance with the requirements set forth in Article 2.10.7.

(d) Ongoing Fees. In connection with the License, Franchisor will sell (either directly or indirectly from designated vendors), and Licensee will purchase: additional Tablets all on the terms set forth in Article 2.10.7 of the Franchise Agreement; and additional Cloud Services Accounts all on the terms set forth in Article 2.10.5 of the Franchise Agreement. In addition, during the term of this Agreement, Licensee shall pay Franchisor all applicable fees in connection with the Franchise Management System as set forth in Article 2.10 of the Franchise Agreement. Such fees include, without limitation, the Weekly License Fee, the Per-Job Fee, the Weekly Cloud Services Fee, the Tablet Usage Fee, the Inventory Transcription Fee, the Inventory Replacement Analysis Fee, and the Inventory Dictation Fee. Further, CRDN reserves the right in its sole discretion to issue new modules, including without limitation, any upgrades, updates, and new versions of software, available features, and other modifications, which may be separately licensed and cost a fee not to exceed Two Thousand Five Hundred Dollars (\$2,500). If CRDN issues new modules, notice will be made in accordance with Article 11.2 and you will have sixty (60) days upon receipt of such notice to remit payment to CRDN.

3. Other Tablet Obligations and Requirements. Licensee shall satisfy the following additional requirements in connection with the Tablets:

(a) *Operations Manual*. Licensee shall abide by all terms of the Operations Manual (as defined in the Franchise Agreement) and any other manuals or guidance provided by Franchisor for operation of the In-Field Job Processing System and the Tablets, including without limitation any terms regarding the shipment, installation, and activation of software for use in connection with the Tablets, operations, maintenance, repair, inspection, servicing, and disposal and/or sale of the Tablets, and the performance of CRDN Services in connection with the Tablets.

(b) *Maintenance and Repair*. During the term of this Agreement, Licensee shall keep any Tablet(s) in good condition and operating order and, at Licensee's cost and expense, make all necessary or required repairs and replacements thereto. Licensee shall be obligated to make all necessary or required repairs and replacements to any Tablet(s) that are not in good condition and operating order (each, a "Defect") within thirty (30) days (not counting any applicable Tablet ordering and shipment) of the date of Licensee's notice of any such Defect(s) (the "Repair Period"). If Licensee fails to repair and/or replace the Defect within the Repair Period, then Franchisor reserves the right to immediately terminate the Franchise Agreement in accordance with Article 13.2 of the Franchise Agreement.

4. Title: Title to the Software shall remain with CRDN.

5. Term: This License is a quarterly license. Unless terminated by CRDN at the end of any calendar quarter, the License shall automatically renew each calendar quarter and shall remain in effect throughout the Term (including the Successor Term) of the Franchise Agreement.

6. Copies and Listings: Licensee shall not copy or reverse-engineer the Franchise Management System in whole or in part, nor shall it permit other parties to do so.

7. Protection of the Franchise Management System: Licensee agrees not to make available to any party the Franchise Management System or any of its parts. Licensee agrees to take appropriate action with its employees and any other parties to obtain assurances of non-disclosure consistent with this Agreement. Licensee recognizes that the Franchise Management System is CRDN copyrighted property, represents a large investment of human and financial resources by CRDN, is a trade secret of CRDN, and is confidential information. Licensee agrees to keep the Franchise Management System, and all related materials, confidential. Licensee will use its best efforts, including any reasonable security precautions as CRDN may request, to insure that the proprietary rights of CRDN are preserved to the fullest extent possible under the law. In addition to the right to terminate this Agreement, CRDN shall be entitled to seek appropriate injunctive relief in the event of any violation of the confidentiality of its copyrighted materials, and to bring an action at law where appropriate.

8. Assignment and Sub-Licensing: This License shall not be assigned or sub-licensed by Licensee, except with the prior, specific written consent of CRDN. CRDN may assign or transfer this Agreement, or its rights therein, without consent of Licensee.

9. Indemnification. Licensee agrees to indemnify, defend and hold harmless CRDN for all losses incurred in connection with use of the License, any Tablet(s), and any Cloud Services Account(s), including but not limited to physical damage or personal harm incurred in connection therewith.

10. Warranty: The warranty, if applicable, provided by a manufacturer of any part or component of only such Tablet(s) that CRDN provides Franchisee will be extended to Licensee, strictly upon the terms of any such warranty, upon Licensee's purchase of such Tablet from CRDN. CRDN warrants that the Franchise Management System, when delivered to Licensee, shall be free from material defects and shall conform to the program documentation. The Franchisor does not warrant that the function contained in the Franchise Management System will meet all of the Franchisee's requirements or will operate with hardware not approved by the Franchisor, or that the operations will be uninterrupted or error free. Licensee acknowledges that the Franchise Management System is of such complexity that it may have certain defects when delivered. Licensee agrees that the sole liability of CRDN shall be to correct program errors in the Franchise Management System, and not to correct problems due to the hardware upon which the Franchise Management System is operated, interaction with other non-standard software or incorrect handling or employment of the Franchise Management System by Licensee. All warranties extend only to the Licensee. EXCEPT AS PROVIDED IN THIS SECTION, THE FRANCHISOR MAKES NO EXPRESS OR IMPLIED WARRANTIES, WITH RESPECT TO ANY MATTER, AND EXPRESSLY DISCLAIMS THE IMPLIED WARRANTIES OR CONDITIONS OF NONINFRINGEMENT, MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE. CRDN DOES NOT WARRANT THE RESULTS OF USE OF THE FRANCHISE MANAGEMENT SYSTEM AND LICENSEE ASSUMES ALL RISK AND RESPONSIBILITY WITH RESPECT THERETO. LICENSEE SHOULD NOTE THAT IN USING THE FRANCHISE MANAGEMENT SYSTEM SENSITIVE INFORMATION MAY TRAVEL THROUGH THIRD PARTY INFRASTRUCTURES WHICH ARE NOT UNDER CRDN'S CONTROL (SUCH AS A THIRD PARTY SERVERS). CRDN MAKES NO WARRANTY WITH RESPECT TO THE SECURITY OF SUCH THIRD PARTY INFRASTRUCTURES.

11. Limitation of Liability; Limitation of Actions: UNDER NO CIRCUMSTANCES, INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE, SYSTEM FAILURE OR NETWORK OUTAGE, WILL CRDN OR ITS AFFILIATES BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL,

CONSEQUENTIAL, PUNITIVE, RELIANCE, OR EXEMPLARY DAMAGES INCLUDING, BUT NOT LIMITED TO LOSS OF DATA, LOSS OF BUSINESS, PROFITS OR OTHER LOSS, THAT RESULT FROM THIS AGREEMENT, EVEN IF SUCH PARTY OR ITS AUTHORIZED REPRESENTATIVE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. No action arising out of the transactions under this Agreement may be brought by either party more than one (1) year after the cause of action has occurred. Additionally, any cause of action for improper use, transfer, sub-licensing, or disclosure of the Franchise Management System or materials may be brought within one (1) year of the date when CRDN shall have actual knowledge thereof. In the event CRDN must institute suit to enforce the terms and conditions of this Agreement, Licensee shall pay reasonable attorneys fees and costs incurred by CRDN.

12. Termination by CRDN: The parties agree that any of the following events shall be considered to be a default under the terms of this Agreement, shall entitle CRDN to terminate this Agreement and any other agreement entered into between Licensee and CRDN, including the Franchise Agreement, and shall authorize CRDN to immediately terminate Licensee's access to the Franchise Management System:

- (a) The termination or expiration of the Franchise Agreement for any reason;
- (b) Licensee disposes, licenses, or transfers the Franchise Management System, other than strictly in accordance with the terms of this Agreement.

The parties further agree that any of the following events shall be considered to be a default under the terms of this Agreement, shall entitle CRDN to terminate this Agreement and any other agreement entered into between Licensee and CRDN, including the Franchise Agreement, all in accordance with the terms and conditions set forth in the Franchise Agreement:

- (a) Licensee fails to make any required payments under this Agreement, under the Franchise Agreement, or under the Amendment to CRDN in full or on time;
- (b) Licensee fails to comply with any covenants, terms or conditions of this Agreement; or
- (c) Licensee fails to comply with any covenants, terms or conditions of the Franchise Agreement or any Amendment thereto.

In the event of any termination or expiration of this Agreement, (i) Licensee shall remain liable for any amounts or fees due under this Agreement (adjusted on a pro rata basis, if applicable); and (ii) Licensee, at Licensee's sole cost and expense, shall immediately deliver to Franchisor, and/or provide Franchisor with all necessary information, access and assistance to assume all rights to and operate, the Franchise Management System (including any copies thereof), all Customer lists, and related information and materials in Licensee's possession or control.

13. Miscellaneous: In the event that any part of this Agreement shall be found to be unenforceable, such findings shall not invalidate the other parts of this Agreement. This Agreement, the Franchise Agreement and the other documents referenced therein constitute the entire understanding of the parties with respect to the subject matter thereof, and supersede all prior or contemporaneous agreements or understanding between the parties, whether oral or written, regarding the subject matter thereof. This Agreement shall be construed in accordance

with the laws which govern the Franchise Agreement. This Agreement may not be amended, restated, supplemented, changed or modified, except by a written agreement signed by CRDN and Licensee.

CERTIFIED RESTORATION  
DRYCLEANING NETWORK, LLC,  
a Michigan limited liability company

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

Name: Wayne M. Wudyka

Its: Chief Executive Officer

PRINCIPAL OWNER

\_\_\_\_\_

«Principal\_Owner\_1»

PRINCIPAL OWNER

\_\_\_\_\_

«Principal\_Owner\_2»

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_1»

Its: Authorized Representative

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_2»

Its: Authorized Representative

## EXHIBIT D – TELEPHONE LISTING AGREEMENT

EXHIBIT D  
TO THE FRANCHISE AGREEMENT  
BETWEEN CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC;  
«PRINCIPAL\_OWNER\_1», «PRINCIPAL\_OWNER\_2»; AND «LLC\_OR\_CORP»

This TELEPHONE LISTING AGREEMENT (this “Agreement”), is made and entered into as of \_\_\_\_\_ in accordance with the terms of the Franchise Agreement between CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC, a Michigan limited liability company, (“FRANCHISOR”) «Principal\_Owner\_1», «Principal\_Owner\_2», and «LLC\_or\_Corp» (collectively, “FRANCHISEE”) executed concurrently with this Agreement, under which FRANCHISOR granted FRANCHISEE the right to own and operate a franchised business (the “Franchised Business”). FRANCHISEE, for value received, hereby agrees with FRANCHISOR that all of FRANCHISEE’S right, title, and interest in and to those certain telephone numbers, including any “1-800” phone numbers, and regular, classified, or other telephone directory listings (collectively, the “Telephone Numbers and Listings”) associated with FRANCHISOR’S trade and service marks and used from time to time in connection with the operation of the Franchised Business, shall be promptly transferred to the FRANCHISOR, upon termination or expiration of the Franchise Agreement.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), it is agreed and acknowledged that as between FRANCHISOR and FRANCHISEE, title or interest in the Telephone Numbers and Listings, directly or indirectly, will be assigned to the FRANCHISOR. FRANCHISEE shall forward all calls made to the Telephone Numbers and Listings to a number designated by FRANCHISOR. FRANCHISEE shall cooperate to the fullest extent possible to transfer the Telephone Numbers and Listings to FRANCHISOR or FRANCHISOR’S designate. Further, the FRANCHISEE will not seek to utilize, directly or indirectly, call forwarding messages of any nature, or otherwise seek to take advantage of the goodwill and/or marketing advantage associated with the Telephone Numbers and Listings. It is further agreed and understood, FRANCHISEE will remain liable to the telephone company for all past due fees owing to the telephone company on or before the effective date of the cancellation hereunder.

FRANCHISEE appoints FRANCHISOR as FRANCHISEE’S true and lawful attorney-in-fact to direct the telephone company to assume the Telephone Number and Listing, and execute such documents and take such actions as may be necessary to effectuate the transfer or the Telephone Numbers and Listings to FRANCHISOR or its designate.

The parties further agree that if the telephone company requires that the parties execute the telephone company’s change forms or other documentation at the time of transfer, FRANCHISOR’S execution of such forms or documentation will effectuate FRANCHISEE’S consent and agreement to the change. The parties finally agree they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the transfer described herein, upon termination or expiration of the Franchise Agreement.



CERTIFIED RESTORATION  
DRYCLEANING NETWORK, LLC,  
a Michigan limited liability company

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

Name: Wayne M. Wudyka

Its: Chief Executive Officer

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_1»

PRINCIPAL OWNER

\_\_\_\_\_  
«Principal\_Owner\_2»

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_1»

Its: Authorized Representative

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_2»

Its: Authorized Representative

**EXHIBIT E – INTENTIONALLY OMITTED**

**EXHIBIT F – BUSINESS ORGANIZATION**

EXHIBIT F  
TO THE FRANCHISE AGREEMENT  
BETWEEN CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC;  
«PRINCIPAL\_OWNER\_1», «PRINCIPAL\_OWNER\_2»; AND «LLC\_OR\_CORP»

DATED \_\_\_\_\_

This form must be completed by Franchisee Entity, «LLC\_or\_Corp», if it is comprised of multiple owners or if it is owned by a business organization (like a corporation, partnership or limited liability company). Capitalized terms used and not defined herein shall have the respective meaning ascribed to such terms in that certain Franchise Agreement dated as of \_\_\_\_\_ (the “Franchise Agreement”), between Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company (“CRDN”), and «Principal\_Owner\_1», «Principal\_Owner\_2» (individually, and collectively if more than one, “Principal Owner”); and «LLC\_or\_Corp» (collectively, “Franchisee”).

1. **Form of Entity.** The Franchisee Entity is (check one):

- (a) General Partnership [ ]
- (b) Corporation [ ]
- (c) Limited Partnership [ ]
- (d) Limited Liability Company [ ]
- (e) Other [ ]

Specify:

2. **Entity Formation.** Franchisee Entity was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. Franchisee has not conducted business under any name (with the exception of your approved CRDN DBA) other than the corporate, limited liability company or partnership name of the Franchisee Entity. Franchise Owner warrants that the Franchisee Entity is capable of meeting any and all requirements set forth herein and in the Franchise Agreement on a primary basis, including the retention and maintenance of all requisite insurance, licenses, etc.

3. **Owners and Managers of Franchisee Entity.**

**Ownership.** As set forth in the Franchise Agreement, all persons with an ownership interest in the Franchisee Entity must also sign as and be included in the definition of Principal Owner under the Franchise Agreement. The following list includes the full name and mailing address of each person who has an ownership interest in the Franchisee Entity one of your owners and fully describes the nature of each owner’s interest.

Owner's Name and Address

Percentage of Interest (or  
other explanation)

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

If there are multiple individuals signing as Principal Owner, the following individual from the list above shall be deemed the primary contact:

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

**Management.** The following is a list of all persons who have management rights and powers (e.g., officers, managers, etc.) and their positions are listed below:

Name of Person

Position(s) Held

---

---

---

---

---

---

---

---

---

---

4. **Governing Documents.** Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of the business organization (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.) of Franchisee Entity, «LLC\_or\_Corp».

5. **Assumed Name.** Franchisee acknowledges and agrees that it must operate the Franchised Business under and using the DBA, as defined in the Franchise Agreement, and must take all actions necessary to comply with all obligations and requirements related thereto as set forth in the Franchise Agreement without further consideration.

6. **Authorization and Acknowledgments.** Each individual signing below as Principal Owner hereby represents and warrants that he/she is authorized to execute and deliver this Exhibit and the Franchise Agreement on behalf of the Franchisee Entity.

Franchisee hereby acknowledges that CRDN is relying on these representations as a material basis for entering into the Franchise Agreement, and that the information set forth above is true and correct. Franchisee also hereby acknowledges that CRDN has the right to inspect and review all information provided herein, including any attachments and/or documentation required to be submitted, and that CRDN may refuse to award Franchisee the Franchised Business and/or execute the Franchise Agreement based upon such inspection and review.

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_1»

Its: Authorized Representative

FRANCHISEE ENTITY: «LLC\_or\_Corp»

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

«Principal\_Owner\_2»

Its: Authorized Representative

## EXHIBIT G – GUARANTY

EXHIBIT G  
TO THE FRANCHISE AGREEMENT  
BETWEEN CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC;  
«PRINCIPAL\_OWNER\_1», «PRINCIPAL\_OWNER\_2»; AND «LLC\_OR\_CORP»  
DATED \_\_\_\_\_

This Guaranty must be signed by each owner (referred to as "Guarantor") of «LLC\_or\_Corp» (the "Franchisee Entity") pursuant to the terms of that certain Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement") with Certified Restoration Drycleaning Network, LLC ("Franchisor").

**1. Scope of Guaranty.** In consideration of and as an inducement to Franchisor signing and delivering the Franchise Agreement, each Guarantor signing this Guaranty personally and unconditionally: (a) guarantees to Franchisor and its successors and assigns that the Franchisee Entity will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement and any other agreement entered into between Franchisor and Franchisee Entity; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement and any other agreement entered into between Franchisor and Franchisee Entity.

**2. Waivers.** Each Guarantor waives: (a) acceptance and notice of acceptance by Franchisor of Guarantor's obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by Guarantor; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by Guarantor; (d) any right Guarantor may have to require that an action be brought against the Franchisee Entity or any other person as a condition of Guarantor's liability; (e) all rights to payments and claims for reimbursement or subrogation which Guarantor may have against the Franchisee Entity arising as a result of Guarantor's execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which Guarantor may be entitled in Guarantor's capacity as guarantor.

**3. Consents and Agreements.** Each Guarantor consents and agrees that (a) Guarantors' direct and immediate liability under this Guaranty are joint and several; (b) Guarantor must render any payment or performance required under the Franchise Agreement upon demand if the Franchisee Entity fails or refuses punctually to do so; (c) Guarantor's liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against the Franchisee Entity or any other person; (d) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Franchise Agreement and, if required by the Franchise Agreement, after its termination or expiration.

**4. Acknowledgments.** Franchisor, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the liabilities of Franchisee Entity to Franchisor (the "Liabilities"), whether or not it or its successors have resorted to any property securing any of the Liabilities or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the Liabilities: (b) release or compromise any liability of any of the undersigned hereunder or any liability of any party or parties primarily or secondarily liable on any of the Liabilities: (c) extend, renew or credit any of the Liabilities for any period (whether or not longer than the original period); (d) alter, amend or

exchange any of the Liabilities; or (e) give any other form of indulgence, whether under the Agreement or not. Each of the undersigned agrees to comply with and abide by the restrictive covenants and nondisclosure provisions contained in the Franchise Agreement and any attachment thereto, as well as the provisions in the Franchise Agreement relating to the Marks, to the same extent as and for the same period of time as Franchisee Entity is required to comply with and abide by such covenants and provisions, except to the extent otherwise required by the Franchise Agreement. These obligations of the undersigned shall survive any expiration or termination of the Franchise Agreement or this Guaranty.

**5. Enforcement Costs.** If Franchisor is required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, Guarantor must reimburse Franchisor for its enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

**6. Effectiveness.** Guarantor's obligations under this Guaranty are effective on the effective date of the Franchise Agreement, regardless of the actual date of signature. Capitalized terms used but not defined in this Guaranty shall have the respective meaning ascribed to such terms in the Franchise Agreement. This Guaranty is governed by the laws which govern the Franchise Agreement. Each Guarantor irrevocably submits to the jurisdiction and venue of courts to the same extent as required by the Franchise Agreement.

**Each Guarantor now signs and deliver this Guaranty effective as of the date of the Franchise Agreement regardless of the actual date of signature.**

**GUARANTORS** (include Name, Address, Telephone and Social Security Number for each Guarantor)

Name: «Principal\_Owner\_1» \_\_\_\_\_  
Signature \_\_\_\_\_  
Address \_\_\_\_\_  
City/State/Zip \_\_\_\_\_  
Phone \_\_\_\_\_  
Social Security Number \_\_\_\_\_

Name: «Principal\_Owner\_2» \_\_\_\_\_  
Signature \_\_\_\_\_  
Address \_\_\_\_\_  
City/State/Zip \_\_\_\_\_  
Phone \_\_\_\_\_  
Social Security Number \_\_\_\_\_

Name: \_\_\_\_\_  
Signature \_\_\_\_\_  
Address \_\_\_\_\_  
City/State/Zip \_\_\_\_\_  
Phone \_\_\_\_\_  
Social Security Number \_\_\_\_\_

**EXHIBIT H – STATE ADDENDUM (if applicable)**



**EXHIBIT C. TO THE DISCLOSURE DOCUMENT**

**FRANCHISE CONTACT INFORMATION**

**EXHIBIT C-1(A)**

**CONTACT INFORMATION FOR OPERATIONAL FRANCHISEES (AS OF DECEMBER 31, 2022)**

<b>Primary State</b>	<b>Franchisee</b>	<b>Franchises Owned*</b>	<b>Franchise Name/DBA</b>	<b>Street Address**</b>	<b>City</b>	<b>Phone</b>
Alabama	Austin Lane Smith, Mary Carole Fuller, Jaclyn Casey Alford, LeeAnn Alford, North Alabama Drycleaning, Inc.	1	CRDN of Northern Alabama	10-B Commerce Court	Rome	(256) 735-6749
Alabama	David Whitehurst, Mark Whitehurst, DW Cleaners LLC	1	CRDN of Birmingham	2548 Rocky Ridge Road	Vestavia Hills	(205) 588-4123
Alabama	James Massey, III, Jim Massey, Inc.	1	CRDN of Montgomery and Central Alabama	531 E. South St.	Montgomery	(888) 760-2198
Arizona	Pratik Patel, Parthavi Patel, and Viking Cleaners, Inc.	2	CRDN of Arizona	3201 E. Indian School Rd	Phoenix	(602) 956-3280
Arkansas	Ryan Swonger, Ryan Swonger, LLC	1	CRDN of NW Arkansas	81 S. Church	Fayetteville	(479) 263-0541
Arkansas (Also has a location in Texas)	William S. Crouch, Buckeye Cleaners, Inc.	2	CRDN of the Ark-La-Tex	100 Industrial Blvd	Texarkana	(903) 793-0560
California	Bhavin Patel (Bobby), Kona Cleaners, Inc.	1	CRDN of Orange County and Eastern LA	821 W Taft Ave.	Orange	(714) 393-1440
California	Riyaz (Ray) H Rangwala, Cynthia L. Rangwala, CRDN of LA County North Inc.	1	CRDN of North Los Angeles	429 E. Tujunga Ave., Apt. 105	Burbank	(818) 590-2416

California	Hiten D. Shah, Priti H. Shah, CRDN of Inland Empire Management, Inc	1	CRDN of Inland Empire	8755 Flower Road, Suite B	Rancho Cucamonga	(800) 559- 9447
California	Jason Rattray, Xxaler, Inc.	1	CRDN of San Diego County	1105 Morena Blvd.	San Diego	(619) 233- 0980
California	John Philip, Signature Clean, Inc.	2	CRDN of Capital Corridor and CRDN of California Central	1462 Tanforan Ave. Ste. F	Woodland	(530) 661- 3639
California	Michelle Lee Baughman, What's Good For Your Soul, LLC	2	CRDN Greater Bay Area	2094 Mt. Diablo Blvd.	Walnut Creek	(925) 872- 6333
California	Sunil C. Shah (Scott), Sandip C. Shah (Sonny), Rashmi S. Shah, Mita S. Shah, Four Seasons Textile Restoration	1	CRDN of Ventura, Santa Barbara & San Luis Obispo CA	1746 S. Victoria Ave.	Ventura	(805) 416- 2269
Colorado	Bradley Johnson, Mark LeChard, Executive Dry Cleaners and Shirt Laundry, Inc.	2	CRDN of Denver	4955 Peoria St UNIT #A	Denver	(303) 991- 0600
Colorado	Ryan Hettich, Benjamin Hettich, NTH, Inc.	1	CRDN of Southern Colorado	P.O. Box 50588	Colorado Springs	(719) 268- 9132
Connecticut	David P. Edricks, Davon, Incorporated	1	CRDN of Central Connecticut	1007 Farmington Ave.	Farmington	(860) 606- 0055
Florida	Aubrey F. Stout, Brenda L. Stout, Bright Horizons Development Group, LLC	1	CRDN of Southwest Florida	4000 Warehouse Rd.	Fort Myers	(239) 600- 7057

Florida	Brian Baker, Lemonade Restoration, Inc.	1	CRDN of Mid Florida	745 S. Kirkman Road, Ste. 745	Orlando	(419) 344- 7284
Florida	Donald Anderson, Michael Testin, Katlyn Deak, and DKM Cleaners, LLC	1	CRDN of Tampa	813 31 <sup>st</sup> Avenue West	Bradenton	(941) 699- 2736
Florida	Mark Tenniswood, Tenniswood, Inc.	1	CRDN of West Florida & South Alabama	2965 W. Navy Blvd	Pensacola	(850) 472- 2165
Florida (Also has a location in Georgia)	Christopher Funk, Carter Funk, CKF Laundry Services LLC	2	CRDN of North Florida	450 Golfair Blvd.	Jacksonville	(888) 248- 9492
Georgia	Barry Walker, Jason L. Walker, Linda Walker, and Terry L. Walker, Admiral Dry Cleaning Restoration, Inc	1	CRDN of West Atlanta and NW Georgia	60 Wansley Dr.	Cartersville	(770) 386- 7911
Georgia	Keith T. Martin, MC Cleaning Center, LLC	2	CRDN of Southern Georgia and Greater Tallahassee and CRDN of Atlanta East and NE Georgia	2827 Meredyth Drive	Albany	(229) 439- 1017
Idaho	Jim Winkle, Winkle Group Inc.	1	CRDN of Central and Southern Idaho	101 West 43 <sup>rd</sup> Street	Garden City	(208) 284- 7813
Illinois	Steven J. Davis^, Daniel Sims^, Shannon Wilson^, JFW Restoration Services, LLC by Jim's Formal Wear LLC	1	CRDN of Greater St. Louis	804 E. Broadway	Trenton	(877) 737- 8873

Illinois	Jennifer Russell, Michael Hutson, Victor Platek, Express Dry Cleaning & Laundry Services	2	CRDN of Chicago	570 Windy Point Dr.	Glendale Heights	(630) 759-2477
Illinois	Eric D. Severson, Severson Northern Illinois Enterprises, Inc.	1	CRDN of Northern Illinois	130 W. State St.	Geneva	(630) 800-7633
Illinois <sup>∞</sup>	James Wille, Nicholas Robinson, MRJJ IA IL, LLC	1	CRDN of Eastern Iowa and Western Illinois	722 Rose Street	La Crosse	(309) 236-9537
Indiana (Also has locations in Kentucky and Ohio)	Gary Maloney, Horlander Enterprises, Inc.	2	CRDN of Kentucky and South Indiana	6300 E. Hwy. 62	Jeffersonville	(812) 285-7404
Indiana	Greg Rankin, Venture Restoration, LLC	1	CRDN of Greater Indianapolis	555 Fairfield Avenue	Indianapolis	(317) 414-4510
Indiana	Steven J. Grashoff, CRDN of Northern Indiana, LLC	3	CRDN of Northern Indiana	4121 Hillegas Road	Fort Wayne	(260) 422-9374
Iowa (Also has one location in South Dakota and one location in Nebraska)	Terese Jung, Jung & Partners, LLC	3	CRDN of Central & Western Iowa	515 S. 18 <sup>th</sup> Street	West Des Moines	(515) 494-4947
Kansas	Chad Ortiz, Samantha Post, Kansas Textile Restoration, LLC	1	CRDN of Central and Western Kansas	3831 N. Cypress	Wichita	(316) 239-6606
Kansas	Joseph Brancato, Victor Brancato, JV Management, LLC	1	CRDN of Kansas City, Topeka and NE Kansas	13613 S US 71 Highway	Grandview	(913) 927-2825

Louisiana	Dale P. Velez, Don P. Velez, The Velez Corporation	1	CRDN of Central and Southern Louisiana	5357 Franklin Ave.	New Orleans	(504) 212- 4444
Maryland (Also has one location in Delaware and two locations in Pennsylvania)	Sean Gallon, Schroedl, Inc.	5	CRDN of Baltimore	5330 Reisterstown Rd.	Baltimore	(866) 937- 2736
Maryland (Also has a location in Virginia)	Sandip Shah, Pintoo Shah, Paresh Pachigar, Steve Sebastian^, Hum LLC	2	CRDN of Greater Metropolitan Washington D.C.	44991 Falcon Pl.	Sterling	(805) 223- 0830
Massachusetts ∞	Nor'East Restoration LLC	1	CRDN of Middlesex & Essex Counties. MA	6 Thatcher Rd	Gloucester	Not yet availa ble
Massachusetts	Terrence Dermody, Dermody Cleaners, Inc.	1	CRDN of Greater Boston and Eastern Massachusetts	34 Cohannet St.	Taunton	(508) 822- 6161
Massachusetts (Also has a location in Vermont)	Timothy J. Dachos, Western Mass Fire Restorations, LLC	2	CRDN of Central and Western Massachusetts and Vermont	361 South St.	Holyoke	(413) 330- 8620
Michigan	Bryan Bradford, Jeffery Bradford, Mark LeChard, Northern Michigan Garment Restoration Specialists, Inc.	1	CRDN of Northern Michigan	621 Pleasant Street	Petoskey	(231) 347- 4600
Minnesota	Daniel Kolar, DK Enterprises, LLC	2	CRDN of Central and Southern Minnesota	200 West 88 Street, Ste. 6	Bloomington	(952) 844- 9810

Missouri	Kitrina R. Price, Casey R. Smith, Robinson's Cleaners, LLC	2	CRDN of Kansas City & Southwest Missouri	609 East Walnut Street	Columbia	(877) 443-4349
Nevada	Ryan M. Szczotka, Ascend, LLC	1	CRDN of Southern Nevada and Southern Utah	2911 N. Lamb	Las Vegas	(702) 644-6600
New Hampshire (Also has one location in Maine)	Christopher Baldwin, Brian Emmerson, NE Disaster Solutions, LLC	2	CRDN of New Hampshire and Maine	4 Townsend West Unit #13	Nashua	(603) 417-2498
New Jersey	Anthony Del Gaizo, TEAM DEL, LLC	3	CRDN of New Jersey	400 W. Union Ave.	Bound Brook	(732) 356-2425
New Mexico	Carl Atencio, Patricia Atencio, Fibertech Restoration, Inc.	1	CRDN of Central and Northern New Mexico	6811 Academy Pkw, East NE #B	Albuquerque	(505) 342-1662
New York	Frank Zambito, Campus Dry Cleaners, Inc.	1	CRDN of Western New York	564 Colvin Ave.	Buffalo	(716) 332-0958
New York	Zachary Saifi, Restoration & Relocation 1 ByNext, LLC.	2	CRDN of Fairfield/Westchester	650 Belleville Turnpike, Unit 1	Kearny	(914)947-1848
New York	Robert L. Murray, LeRoy Cleaners & Restoration, LLC	1	CRDN of Rochester and the Finger Lakes	11 Mill St.	LeRoy	(585) 545-5711
New York	Scott I. Pardo, Linda J. Pardo, The Cleanery on Florida Street, Ltd.	1	CRDN of the Five Boroughs	153 Florida Street	Farmingdale	(631) 465-9600
New York	Timothy J. McCann, Snowtree Lane, LLC	2	CRDN of Upstate New York	809 State Street	Schenectady	(518) 779-3406
North Carolina	Robert Hilker, Brothers Cleaners, Inc.	2	CRDN of Central and Eastern North Carolina	5020 Atlantic Ave.	Raleigh	(919) 501-2006

North Carolina (also has two locations in Virginia)	Robert L. Pressly, Jr., Pressly's Laundry and Dry Cleaners, Inc.	1	CRDN of Coastal North Carolina	611 N. Queen St	Kinston	(252) 527-3311
North Carolina	Kyle Panther, KPP Holdings, Inc.	1	CRDN of Greater Charlotte	5730 Farmbrook Dr.	Charlotte	(704) 372-0009
Ohio	Jeffrey A. Caro, Village Restoration, Inc.	2	CRDN of North Central Ohio	2845 Pearl Road	Medina	(800) 489-8071
Ohio	Matthew Starkey, Seth Rowe, Joshua Curtis, Ross Restoration Company, LLC	1	CRDN of Greater Columbus	6750 Commerce Ct. Dr.	Blacklick	(614) 309-5103
Ohio	Joseph Yuhanick, Abby Yuhanick Moore, YDS Restoration, Inc.	1	CRDN of Northeast Ohio and Northwest PA	843 McClurg Road	Youngstown	(877) 337-8030
Ohio	Ryan Hames, RKH Enterprises LLC	1	CRDN of Sidney, Urbana, Springfield and Greater Dayton	212 Patrick Avenue	Urbana	(937) 401-0259
Oklahoma	W. Patrick Perry, Richard J. Murphy, PMG One, LLC	2	CRDN of Oklahoma	2707 S. Broadway	Edmond	(866) 809-2736
Oregon (Also has one location in Washington)	Brad Paluck, Mt. Hood Disaster Restoration Dry Cleaning & Laundry, Inc.	2	CRDN of Oregon	38862 Proctor Blvd.	Sandy	(503) 668-0562
Pennsylvania	David P. Beatty, Melissa A. Beatty, Fire and Flood Clothing Restoration Services, LLC	1	CRDN of Greater Southwest Pennsylvania	3945 Old William Penn Hwy	Murrysville	(412) 419-5840



Pennsylvania	Erez Halevah, Elyse Halevah, American Cleaners of Middletown, Inc.	1	CRDN of Northeast PA & Greater Binghamton NY	360 Route 211 East	Middletown	(570) 471- 3474
Pennsylvania	Glenn Smith, Green Clean Dry Cleaners, Inc.	2	CRDN of Metro Philadelphia NE & the Lehigh Valley	940 Louis Dr.	Warminster	(215) 355- 6495
Pennsylvania	Robert S. Fogelsanger, Balfurd, Inc.	2	CRDN of Central PA & Northern Pittsburgh	2467 Park Ave.	Tipton	(814) 206- 7171
Rhode Island	Kenneth R. Gregory, Heidi Gregory, Museum Quality Restoration and Preservation, LLC	1	CRDN of Rhode Island and Eastern Connecticut	380 Warwick Ave.	Warwick	(401) 640- 3844
South Carolina	Charles M. Bauknight, Major Bauknight^, My Cleaners & Laundry, Inc.	1	CRDN of Upstate South Carolina and Western North Carolina	2910 Abbeville Hwy.	Anderson	(864) 296- 6529
South Carolina	E. Coles Taylor III and John B. Johnston, Robinson Restoration Cleaners LLC	2	CRDN of Central and Coastal South Carolina and Greater Augusta	2551 Forest Dr.	Columbia	(866) 284- 2776
Tennessee	Michael Valentine, Samantha Valentine, CRDN of Greater Nashville and Western Kentucky LLC	1	CRDN of Greater Nashville and Western Kentucky	2986 Sidco Dr.	Nashville	(615) 490- 6998
Tennessee	Chis Lodge^, Disaster DryCleaning, Inc.	1	CRDN of Chattanooga	3 Hillandale Dr	Rome	(678) 899- 3753

Tennessee	William S. Crouch, Buckeye Cleaners, Inc.	1	CRDN of the MidSouth	100 Industrial Blvd.	Nash	(903) 314-9316
Tennessee (Also has a location in Virginia)	Lannis Greene, Greenebush Development LLC	2	CRDN of Knoxville	749 Cummings Street	Abingdon	(276) 258-5259
Texas	Roy Allen Carter, James Conatser, Joel Blackstone, Randall Falcon, Thomas Sanchez^, PAR 41, Inc.	4	CRDN of DFW	4830 Lakawana St.	Dallas	(214) 698-0059
Texas	Allen Neumann, Texas Custom Cleaners LLC	1	CRDN of Greater Austin	818 W. Yager Lane	Austin	(888) 505-7510
Texas	Anel Moreno, Gabriela Doniz, STX Premier Cleaning Services, Inc.	1	CRDN of South Texas	2708 April Avenue	Edinburg	(956) 566-3490
Texas	C. Lynn Ingram, CIC Investments, Inc.	1	CRDN of Northwest Texas	2666 Buffalo Gap Rd.	Abilene	(325) 428-6707
Texas	William S. Crouch, Buckeye Cleaners, Inc	2	CRDN of Northwest and South Houston	100 Industrial Blvd.	Nash	(903) 314-9316
Texas	Gregory Nelson, LGMC, LLC	1	CRDN of Alamo City	232 E. Oak St.	Uvalde	(830) 279-5521
Texas	Raymond Douglas Farrell, Keray, Inc.	1	CRDN of Central Texas	104 Bradford Sq.	Waco	(254) 772-0055
Utah	David C. Kitches, Michael L. Kitches, Kitches Restoration, LLC	1	CRDN of Northern Utah	2055 E 6200 S	Salt Lake City	(801) 679-0202

Virginia	Harry R. Wheeler, Christopher D. Eldredge, Better Image, Inc.	1	CRDN of the Shenandoah Valley & Southern Virginia	534 W. Main St.	Waynesboro	(540) 943-8242
Washington	Mark Scott, Scott-Bakker's Inc.	1	CRDN of Seattle and Western Washington	11630 98 <sup>th</sup> Ave. NE	Kirkland	(206) 286-1866
Wisconsin	Brian C. Cass, David C. Cass, O.H.M. Restoration, LLC, OHM Restoration of GB, LLC	2	CRDN of Southeast Wisconsin and CRDN of Northeast WI	W229 N2494 Highway F	Waukesha	(262) 542-4900
Wisconsin	James Wille, MRJJ, LLC	1	CRDN of Western Wisconsin	722 Rose Street	La Crosse	(608) 250-1895
Wyoming	Anthony L. Allen, Wyoming OHM Corporation	1	CRDN of Wyoming	946 E. 2 <sup>nd</sup> St.	Casper	(307) 235-5114

Notes:

\*For Franchisees with multiple franchises, we listed them only once to avoid redundancy and included the number of franchises each Franchisee owns. Each Franchisee is listed in the state in which the majority of their collective franchise territories are located.

\*\*The addresses listed are for the legal entity/Franchisee Entity of each Franchisee as CRDN franchise territories are not specific to an address.

^ Franchisee's Designated Representative

∞Franchisee signed a franchise agreement but has not commenced operations as of December 31, 2022.

**EXHIBIT C-1(B)**

CONTACT INFORMATION FOR COMPANY OWNED LOCATIONS (AS OF DECEMBER 31, 2022)

Primary State	Franchisee	Franchises Owned*	Franchise Name/DBA	Street Address**	City	Phone
Michigan	Wayne Wudyka, Jeff Snyder and 26822 Coolidge, Inc.	1	CRDN of Michigan and Northeast Ohio	26822 Coolidge	Berkley	(248) 246- 7878

\* This location is owned and operated by our affiliate, Huntington.

\*\*The address listed is for the legal entity/Franchisee Entity of the Franchisee as CRDN franchised territories are not specific to an address.

**EXHIBIT C-2**

CONTACT INFORMATION FRANCHISE OWNERS WHO LEFT THE SYSTEM IN 2022

Name	Franchises Owned	City	State	Phone	Reason for Leaving
Glen Kotval, Jr.	1	Lewisburg	WV	(304) 645-3858	Termination
Bradley Johnson, Mark LeChard	2	Fort Lauderdale	FL	(303) 991-0600	Ceased Operations*
Raul Paredes, Yumar Paredes	1	Hallendale Beach	FL	(954) 251-2566	Ceased Operations
Brad Manasco	1	Madison	MS	(662) 469-1319	Ceased Operations
Paula L. Kostick	1	Lemoyne	PA	(866) 730-6777	Transferred
Douglas J. Lipsey, M. Suzanne Lipsey	2	Houston	TX	(281) 469-5556	Transferred
Dennis M. Spurgetis	1	Rock Island	IL	(309)236-9537	Transferred^
Thomas Lampognana, Roxanne Mansell Lampognana	2	Nashua	NH	(917) 913-1166	Transferred
Michael S. Jordan	2	Phoenix	AZ	(602) 254-2205	Transferred

\* These owners remain in the CRDN Franchise System in other franchised territories although the franchise(s) listed above are no longer in the Franchise System.

**EXHIBIT D. TO THE DISCLOSURE DOCUMENT**

**FORM OF ELECTRONIC FUNDS TRANSFER AUTHORIZATION**

ELECTRONIC FUNDS TRANSFER (EFT) AUTHORIZATION FORM

This electronic funds transfer authorization (“EFT Authorization”) is entered into in accordance with the terms of the franchise agreement(s) (the “Franchise Agreement”) between Certified Restoration Drycleaning Network, LLC (“Franchisor”) a Michigan limited liability company, and \_\_\_\_\_, and \_\_\_\_\_ (individually, or collectively if more than one, “Principal Owner”) and \_\_\_\_\_ (“Franchisee Entity”, and together with the Principal Owner, the “Franchisee” under which Franchisor granted Franchisee the right to own and operate a franchised business (the “Franchised Business”).

I hereby acknowledge and agree that I am a Principal Owner under the Franchise Agreement, and, if applicable, hereby represent and warrant that I am an owner and authorized representative of the Franchisee Entity, and hereby authorize Franchisor (or any affiliate of Franchisor) to debit (or credit in the event of any duplicate or erroneous entries or in the event Franchisor wishes to provide payment to Franchisee that has come to be in Franchisor’s (or any affiliate of Franchisor’s) possession or is owed to Franchisee by Franchisor (or any affiliate of Franchisor’s)) my or the Franchisee Entity’s bank account, as applicable (as provided below) at any time during the Initial Term or any Successor Term of the Franchise Agreement for any of the fees set forth and described in the Franchise Agreement, for which payment is to be made via electronic funds transfer (EFT) in accordance with the terms of the Franchise Agreement, any exhibits and addenda thereto, or any other agreement Franchisee has entered into with Franchisor or any of affiliate of Franchisor. Such fees shall include any and all fees and costs incurred on account of and in connection with the Franchise Agreement and/or the operation of the Franchised Business including, but in no way limited to, Royalty fees, Fund Fees, the Fixed Annual Fee, Weekly License Fees, and any promissory note payment due to the Franchisor (of its affiliate, if applicable).

**Bank/Financial Institution Information**

Name of Financial Institution	
Financial Institution Address	
Account Number	
ABA Routing Number	

**PLEASE ATTACH A COPY OF A VOIDED CHECK TO THIS EFT AUTHORIZATION AND SUBMIT SAME TO DANA BRAMBLE VIA EMAIL AT: DANA.BRAMBLE@CRDN.COM OR VIA FAX AT: (248) 246-7868**

SIGNATURE PAGE FOLLOWS

PRINCIPAL OWNER 1

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

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

PRINCIPAL OWNER 2

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

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

FRANCHISEE ENTITY: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: Owner and Authorized Representative

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

FRANCHISEE ENTITY: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: Owner and Authorized Representative

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

**EXHIBIT E. TO THE DISCLOSURE DOCUMENT**

**LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**



**STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>California</b>	California Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 213.576.7500 or Toll Free 866.275.2677	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 213.576.7500 or Toll Free 866.275.2677
<b>Hawaii</b>	Hawaii Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808.586.2722	Commissioner of Securities of Hawaii Hawaii Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808.586.2722
<b>Illinois</b>	Attorney General's Office State of Illinois 500 South Second Street Springfield, IL 62706 217.782.1090	Illinois Attorney General State of Illinois 500 South Second Street Springfield, IL 62706 217.782.4465
<b>Indiana</b>	Indiana Securities Commission Franchise Section, Room E-111 302 West Washington Street Indianapolis, IN 46204 317.232.6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204 317.232.6681
<b>Maryland</b>	Maryland Division of Securities Office of the Attorney General 200 St. Paul Place Baltimore, MD 21202-2020 410.576.6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 410.576.6360
<b>Michigan</b>	Consumer Protection Division Antitrust and Franchise Unit MI Department of Attorney General 670 Williams Building 525 W. Ottawa Street Lansing, MI 48913 517.373.7117	Michigan Department of Commerce, Corporations and Securities Bureau 670 Law Building Lansing, MI 48913 517.373.7117
<b>Minnesota</b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101 651.296.4026	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101 651.296.4026

<b><u>STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS</u></b>		
<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>New York</b>	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212.416.8222	Secretary of State 99 Washington Avenue Albany, NY 12231
<b>North Dakota</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor Dept. 414 Bismarck, ND 58505-0510 701-328-4712	Securities Commissioner State of North Dakota 600 East Boulevard Avenue State Capital, Fifth Floor Dept. 414 Bismarck, ND 58505-0510 701-328-4712
<b>Oregon</b>	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street, N.E. #410 Salem or 97310 503.378.4387	Director of Oregon Department of Insurance and Finance 350 Winter Street, N.E. #410 Salem or 97310 503.378.4387
<b>Rhode Island</b>	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02910 401-462-9587	Director of Rhode Island Department of Business Regulation 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02910 401-462-9587
<b>South Dakota</b>	Department of Labor and Regulation, Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 605.773.4823	Director of South Dakota Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 605.773.4823
<b>Virginia</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804.371.9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 804.371.9051
<b>Washington</b>	Securities Division Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501 360.902.8760	Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501 360.902.8760

**STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>Wisconsin</b>	Division of Securities 345 W. Washington Ave., 4 <sup>th</sup> Floor Madison, WI 53703 608-266-2801	Commissioner of Securities of Wisconsin 345 W. Washington Ave, 4 <sup>th</sup> Floor Madison, WI 53703 608-266-1064

**EXHIBIT F. TO THE DISCLOSURE DOCUMENT**

**FORM OF ACCOUNTS RECEIVABLE PROMISSORY NOTE**

## **CRDN ACCOUNTS RECEIVABLE PROMISSORY NOTE**

This promissory note (the "Note") made and entered into on \_\_\_\_\_ is executed in accordance with the terms of the Franchise Agreement between Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company (referred to in this Note as "CRDN," "Franchisor," "us," "we," or "our"), and «Legal\_Name» (referred to in this Note as "Franchisee," "Payee," "you," or "your") (the "Franchise Agreement"), under which Franchisor granted Franchisee the right to own and operate a franchised business (the "Franchised Business"). FOR VALUE RECEIVED, Franchisor promises to pay to CRDN Investments, LLC, a Michigan limited liability company and affiliate of Franchisor ("Affiliate"), the principal sum of [PRINCIPAL AMOUNT], together with interest at an annual percentage rate of twelve percent (12%) per annum. Interest shall be payable from the date of this Note, both before and after maturity, demand, default, or judgment until actual payment in full. Capitalized terms used but not defined herein shall have the respective meaning ascribed thereto in the Franchise Agreement.

### **1. Franchisee Obligations.**

- A. Payment Terms.** The principal and interest shall be paid in equal monthly installments. The first installment shall be due via electronic funds transfer ("EFT") on the first of the month and each successive month thereafter until the principal and interest due under this Note have been paid in full. Provided however, that the entire principal balance together with all accrued interest thereon shall be due and payable on or before six (6) months following the payment of the first installment, anything herein to the contrary notwithstanding. Monthly installments shall be applied first upon interest and the balance upon principal. Should any monthly installment not be paid when due, then the whole sum of the remaining principal and interest shall become due immediately and payable without notice or demand at the option of the holder of this Note.
- B. No Prepayment Penalty.** This Note may be prepaid in full at any time without restriction or penalty.
- C. Purpose.** The undersigned hereby confirms that the proceeds of this Note will be used for the business purpose of operating the Franchised Business.
- D. Enforcement Costs.** In the event that the undersigned should default under this Note, and legal proceedings are commenced to collect the indebtedness evidenced hereby, the undersigned agrees to pay all costs and expenses, including reasonable attorney fees, incurred in the collection of this Note.
- E. Transfer.** Should Franchisee transfer or assign their franchise rights to a third party, in accordance with Article 12 of the Franchise Agreement, prior to the pay-off of this Note, said Note must be paid in full before Franchisor will approve such transfer or assignment.

**F. Security Interest.** As general and continuing security for the due payment, observance, and performance by the Franchisee of its present and future liabilities, obligations and indebtedness, whether direct or indirect, absolute or contingent, joint or several, matured or un matured, in any currency, arising by agreement or under this Note, the Franchisee grants to CRDN a security interest in all personal property (including, without limitation, inventory, equipment, appliances, signage, furnishings, fixtures, intangibles, accounts, instruments, goods and money, but excluding consumer goods) (the "Collateral") now or hereafter used in carrying out of the Franchised Business. The parties acknowledge that (a) Franchisee has rights in the Collateral, (b) CRDN has given value to Franchisee, (c) the parties have not agreed to postpone the time for attachment of the security interest, and (d) the security interest is to attach (i) as to Collateral in which Franchisee now has rights, when Franchisee executes this Note and (ii) as to Collateral in which the Franchisee subsequently acquires rights, when the Franchisee first obtains those rights.

**2. Default.** In the event that any of the requirements set forth in this Note are not indefeasibly paid, performed or satisfied in a timely fashion or Franchisee fails to comply with any of the terms of the Franchise Agreement or any other agreement entered into between CRDN (or Affiliate) and Franchisee, Franchisee shall be deemed in default under this Note, the Franchise Agreement and any other agreement entered into between CRDN (or Affiliate) and Franchisee, CRDN (or Affiliate, as applicable) shall have the right, at its option, without notice of any kind to Franchisee to (a) declare any obligations, due and owing under the Note, Franchise Agreement and/or any other agreement entered into between CRDN (or Affiliate) and Franchisee, to be due and owing immediately; (b) terminate the Franchise Agreement and/or any other agreement entered into between CRDN (or Affiliate) and Franchisee; and (c) pursue any and all rights and remedies available under the Note, Franchise Agreement and/or any other agreement entered into between CRDN (or Affiliate) and Franchisee, at law, in equity or otherwise with respect to the owed sums (and/or any other obligations due under the Note or Franchise Agreement). In addition, in the event of a Note default, Franchisee shall be deemed to have surrendered any and all rights to the Franchised Business and the Franchise Territory and CRDN shall be authorized to assign and award the Franchise Territory to any other franchisee of its choosing.

**3. Personal Guaranties.** In consideration of and as an inducement to Franchisee signing and delivering this Note, each Principal Owner of Franchisee, [Name1] and [Name2] (each, a "Guarantor", and collectively, the "Guarantors") personally signing this Note personally and unconditionally: (a) guarantees to each of Franchisor and Affiliate and their respective successors and assigns that the Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in this Note; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in this Note and any other agreement entered into between Franchisor (or Affiliate) and Franchisee (collectively, the "Guaranty").

- A. Consent and Agreement.** Each Guarantor consents and agrees that (a) such Guarantor's direct and immediate liability under the Guaranty is joint and several; (b) such Guarantor must render any payment or performance required under the Franchise Agreement upon demand if the Franchisee fails or refuses punctually to do so; (c) such Guarantor's liability will not be contingent or conditioned upon Franchisor's (or Affiliate's, if applicable) pursuit of any remedies against the Franchisee or any other person; (d) such Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor (or Affiliate, if applicable) may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Note or the Guaranty; and (e) the Guaranty will continue and is irrevocable during the term of the Franchise Agreement and, if required by the Franchise Agreement, after its termination or expiration.
- B. Acknowledgments.** Franchisor, Affiliate, and their respective successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the liabilities of Franchisee to Franchisor (or Affiliate) (the "Liabilities"), whether or not it or their successors have resorted to any property securing any of the Liabilities or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the Liabilities; (b) release or compromise any liability of any of the undersigned hereunder or any liability of any party or parties primarily or secondarily liable on any of the Liabilities; (c) extend, renew or credit any of the Liabilities for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the Liabilities; or (e) give any other form of indulgence, whether under this Note, the Franchise Agreement or otherwise. Each of the undersigned agrees to comply with and abide by the restrictive covenants and nondisclosure provisions contained in the Franchise Agreement and any exhibit or attachment thereto, as well as the provisions in the Franchise Agreement relating to the Marks, to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions, except to the extent otherwise required by the Franchise Agreement. The obligations of the undersigned shall survive any expiration or termination of the Franchise Agreement, this Note or the Guaranty.
- C. Enforcement Costs.** If Franchisor is required to enforce the Guaranty in any judicial or arbitration proceeding or any appeals, each Guarantor must reimburse Franchisor (or Affiliate) for its enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the Guaranty.
- D. Effectiveness.** Each of the Guarantor's obligations under the Guaranty are effective on the effective date of the Franchise Agreement, regardless of the actual date of signature. Each

Guarantor irrevocably submits to the jurisdiction and venue of the courts specified in the Franchise Agreement.

**4. Miscellaneous.**

- A. Waiver.** Payee waives demand for payment, presentment, notice of dishonor, and protest of this Note and consents to any extension or postponement of time of its payment, to any substitution, exchange, or release of all or any part of any security given to secure this Note, to the addition of any party, and to the release, discharge, waiver, modification, or suspension of any rights and remedies against any person who may be liable for the indebtedness evidenced by this Note. Moreover, each Guarantor hereof hereby waives: (a) acceptance and notice of acceptance by Franchisor (or Affiliate) of each of the Payee's and the Guarantor's obligations under this Note and the Guaranty, as applicable; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by any Guarantor; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by Guarantor; (d) any right such Guarantor may have to require that an action be brought against the Franchisee or any other person as a condition of the Payee's or any Guarantor's liability; (e) all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against the Franchisee arising as a result of such Guarantor's execution of and performance under the Guaranty; and (f) all other notices and legal or equitable defenses to which Payee may be entitled, or any Guarantor may be entitled in such Guarantor's capacity as guarantor.
- B. Governing Law.** The terms of this Note, including the Guaranty, shall be governed by and construed in accordance with the laws which govern the Franchise Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Note on the date stated on the first page hereof.

Franchisor, [LLC. or Corp.]

---

By: [Name1]  
Its Authorized Representative

---

[Name1]  
In his personal capacity

---

[Name2]  
In his personal capacity



**EXHIBIT G: TO THE DISCLOSURE DOCUMENT**

**STATE ADDENDA AND FRANCHISE AGREEMENT RIDERS**

**ADDITIONAL DISCLOSURES FOR THE STATE OF CONNECTICUT**

**The following are added to the Risk Factors on the Cover Page of this disclosure document:**

THE FRANCHISOR RESERVES THE RIGHT TO 1) OFFER AND SELL SERVICES AND PRODUCTS WITHIN THE FRANCHISE TERRITORY WHICH DO NOT COMPRISE A PART OF THE FRANCHISE SYSTEM AND IN CONNECTION WITH THIS RIGHT, TO EXPLOIT ITS MARKS, NAME, REPUTATION, AND KNOW-HOW, AND 2) ESTABLISH OTHER CHANNELS OF DISTRIBUTION.

**The following should be added after the Cover Page of this disclosure document:**

DISCLOSURE REQUIRED BY CONNECTICUT LAW

The State of Connecticut does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

**The following should be added to Item 3 of this disclosure document:**

No person listed in Items 1 and 2 of this disclosure document: (A) has at any time during the previous 7 fiscal years, been convicted of a felony or pleaded nolo contendere to a felony charge if such felony involved fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint trade; (B) has, at any time during the previous 7 fiscal years, been held liable in a civil action resulting in a final judgment or has settled out of court any civil action or is a party to any civil action (i) involving allegations of fraud, including but not limited to a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint trade, or (ii) which was brought by a present or purchaser-investor franchisee and which involves or involved the business opportunity relationship; (C) is subject to any currently effective state or federal agency or court injunctive or restrictive order, or is a party to a proceeding currently pending in which such order is sought, relative to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law, or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation or property, or restraint of trade.

**ADDITIONAL DISCLOSURES FOR THE STATE OF CALIFORNIA.**

**In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000 – 20043, the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of California, shall be amended to include the following:**

The following paragraphs are added at the end of Item 17 of the disclosure document:

1. California Law Regarding Termination and Non-Renewal. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, the law will control.
2. Post-Termination/Non-Competition Covenants. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions

Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043). The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

3. Applicable Law. The Franchise Agreement requires application of the laws and forums of the State of Michigan. This provision may not be enforceable under California law.
4. General Release. Upon Renewal or Transfer of the Franchise Agreement, the Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. This provision may not be enforceable under California Law.
5. Material Modification. Section 31125 of the Franchise Investment Law requires us to give you a disclosure document, approved by the Department of Corporations, before soliciting of a proposed material modification of an existing Franchise Agreement.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Neither CRDN nor any person in Item 2 of the disclosure document, 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.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not beenforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur at the office of the designated arbitration body closest to the then-current Franchisor's principal executive office (currently located in Berkley, Michigan) with all parties bearing their own costs for participation in the arbitration, except for any external costs (including the arbitrator's costs) which shall be shared equally between the parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and ProfessionsCode Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venueto a forum outside the State of California.

The highest interest rate allowed by law in California is 10% annually.

Under California law, an agreement between a seller and a buyer regarding the price at which the buyer can resell a product (known as verticalprice-fixing or resale price maintenance) is illegal. Therefore, requirements on franchisees to sell goods or services at specific prices set by the franchisormay be unenforceable.

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).

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

**ADDITIONAL DISCLOSURES FOR THE STATE OF HAWAII**

**The following is added to the Cover Page of this disclosure document:**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT, THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS, AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Hawaii required that the following risk regarding this franchise be highlighted: As set forth in the audited financial statements provided in Item 21 of the disclosure document, Franchisor's liabilities exceed its assets and member's equity is currently negative.

The Hawaii Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, HI, 96813, (808) 586-2722.

**In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. Sections 482E- et. seq., the Franchise Disclosure Document of Certified Restoration Drycleaning Network, LLC, in connection with the offer and sale of franchises for use in the State of Hawaii, shall be amended to include the following:**

1. The following list is hereby added to the end of Item 20 of the disclosure document to reflect the status of our franchise registrations in states which have franchise registration and/or disclosure laws:
  - a. The states in which a registration is effective, in which we are relying on an exception, or where an FDD has been filed:  
California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.
  - b. The states in which a proposed registration of filing is or will be shortly on file: None

- c. The states, if any, which have refused, by order or otherwise, to register these franchises: None.
- d. The states, if any, which have revoked or suspended the right to offer these franchises: None
- e. The states, if any, in which proposed registration of these franchises has been withdrawn: None

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF FLORIDA**

##### **DISCLOSURES REQUIRED BY FLORIDA LAW**

THE STATE OF FLORIDA HAS NOT REVIEWED AND DOES NOT APPROVE, RECOMMEND, ENDORSE, OR SPONSOR ANY BUSINESS OPPORTUNITY. THE INFORMATION CONTAINED IN THIS DISCLOSURE HAS NOT BEEN VERIFIED BY THE STATE. IF YOU HAVE ANY QUESTIONS ABOUT THIS INVESTMENT, SEE AN ATTORNEY BEFORE YOU SIGN A CONTRACT OR AGREEMENT.

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF ILLINOIS.**

**In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 88705/1 et. seq., the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Illinois, shall be amended to include the following:**

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois. Franchise rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

Payment of the initial franchise fee and other initial payments owed by franchisee is deferred until the franchisor has completed its pre-opening obligations under the franchise agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Item 6 in the disclosure document contains an extensive list of OTHER FEES that YOU must pay in addition to your initial investment. Make sure to review Item 6 with a professional who will look out for your best interest.

"NATIONAL ACCOUNTS," EXIST IN THIS FRANCHISE SYSTEM. THE FRANCHISOR RESERVES THE RIGHT TO ESTABLISH, IDENTIFY, NEGOTIATE TERMS AND SERVICE "NATIONAL ACCOUNTS" WITHIN YOUR TERRITORY. FRANCHISOR OR ITS AFFILIATE(S) MAY PROVIDE PRODUCTS & SERVICES TO A "NATIONAL ACCOUNT" WITH NO COMPENSATION PAID TO YOU.

Item 12 of the disclosure document contains disclosures about YOUR potential required participation in Partner Programs. These programs may require you to execute additional Agreements wherein Franchisor or a third-party sets prices for services YOU may be required to provide. Your participation in any such Programs will INCREASE your expenses. Make sure to review Item 12 with a professional who will look out for your best interest.

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF INDIANA.**

**In recognition of the requirements of the Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1-7; amended by Laws of 1985, PL 233, the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Indiana, shall be amended to include the following:**

1. It is unlawful for any Franchise Agreement entered into between any franchisor and a franchisee that is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana, to contain any of the following provisions. The following statements are added at the end of the Franchise Agreement table in Item 17: "Any release required as a condition of renewal and/or transfer will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act."
2. The Summary section of Item 17(r.) entitled Non-Competition Covenants after the Franchise Terminates or Expires is amended to provide that the provisions contained in the Franchise Agreement and Item 12 of this disclosure document are subject to Indiana Code 23-2-2-7-1(9), which prohibits covenants not to compete which extend beyond any exclusive Territory granted to you.
3. Item 17(v) and 17(w) entitled Choice of Forum and Choice of law are amended to provide that Michigan law generally applies except for matters arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act.
4. In reference to Section 15.I. of the Franchise Agreement, such waivers constitute a limitation on litigation and therefore violate IC 23-2-2-7-1(10) and may not occur under this provision.
5. In reference to Section 15.K. of the Franchise Agreement, such a limitation of claims may only be barred unless an action is brought more than two years after the violation pursuant to IC 23-2-2-7-7.

Each provision of these Additional Disclosures to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to these Additional Disclosures to the disclosure document.

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF MARYLAND.**

The Maryland Office of the Attorney General, Securities Division requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

**The following is added to: ITEM 17 (c and m): Renewal, Termination, Transfer, and Dispute Resolution.**

All representations requiring prospective franchisees to assent to a release, estoppels or waiver of liability are not intended nor shall they act as a release, estoppels or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**The following is added to Item 1 for the state of Maryland:**

The name and address of the **Certified Restoration Drycleaning Network, LLC** agent in Maryland authorized to receive service of process is: Maryland Securities Commissioner, 200 St. Paul Place, Baltimore, MD 21202-2020.

**ADDITIONAL DISCLOSURES FOR THE STATE OF MINNESOTA.**

**In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat 80C.01 through 80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules 2860.0100 through 2860.9930, the Franchise Disclosure Document in connection with the offer and sale of franchises for use in the State of Minnesota shall be amended to include the following:**

Item 17 "Renewal, Termination, Transfer, and Dispute Resolution," is amended by the addition of the following paragraphs:

1. Minn. Rule 2860.4400J. prohibits the waiver of a jury trial.
2. Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three years after the cause of action occurs.
3. Minn. Stat. Sec. 80C, 14 Subds. 3, 4, and 5 requires that, except in certain specified cases, a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise cannot be unreasonably withheld.
4. Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C to any procedure, forum, or remedies provided for by the laws of jurisdiction.
5. Minn. Rule 2860.4400D. prohibits us from requiring you to assent to a general release.

Each provision of this Addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated by the Minnesota Commissioner of Commerce, are met independently without reference to these Additional Disclosures in the disclosure document.

**ADDITIONAL DISCLOSURES FOR THE STATE OF NEW YORK.**

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

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

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

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

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

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



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

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF NORTH DAKOTA**

The following is added to the Cover Page of the disclosure document:

#### **THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST, OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-09-01.-51-09-17. N.D.C.C.)**

- A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 908-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.
- B. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- C. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- D. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
- E. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
- F. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.

**In recognition of the requirements of the North Dakota Franchises Law, Section 51-19-09, the Franchise Disclosure Document in connection with the offer and sale of franchises for use in the State of North Dakota Item 17(c) shall be amended to read:**

Timely written notice of election to seek a Successor term, sign new agreement, and pay fee.

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF RHODE ISLAND**

The following is added to the Cover Page of the disclosure document:

EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT "HOME STATE" LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO ANY STATE-SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE DISCLOSURE DOCUMENT FOR DETAILS.

Rhode Island Addendum and Item 17 should state: §§19-28.1-14, of the Rhode Island Franchise Investment Act provides that "A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF VIRGINIA**

The following is added to the addendum of the Virginia Disclosure Document for Virginia franchisees: Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

## **ADDITIONAL DISCLOSURES FOR THE STATE OF WASHINGTON**

**The following is added to the Cover Page of the disclosure document:**

### **SPECIAL RISK FACTORS:**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

RIDER TO  
CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC  
FRANCHISE AGREEMENT  
FOR USE IN HAWAII

This Rider is being entered into as of \_\_\_\_\_, 20\_\_\_. The parties to this Rider are \_\_\_\_\_ ("you") and Certified Restoration Drycleaning Network, LLC ("we," "us," or "Franchisor").

The parties to the attached Franchise Agreement (the "Agreement") agree as follows:

The Hawaii Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company

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

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

Wayne M. Wudyka

Its: Chief Executive Officer

PRINCIPAL OWNER

\_\_\_\_\_

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

«Name1»

FRANCHISEE: «LLC\_or\_Corp»

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

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

«Name1»

Its: Authorized Representative

RIDER TO  
CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS

This Rider is being entered into as of \_\_\_\_\_, 20\_\_\_. The parties to this Rider are \_\_\_\_\_ (“you”) and Certified Restoration Drycleaning Network, LLC (“we,” “us,” or “Franchisor”).

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Certified Restoration Drycleaning Network, LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Background.

We and you are parties to that certain Agreement dated \_\_\_\_\_, 20\_\_ that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for franchise you will operate under the Agreement was made in the State of Illinois and you will operate the Franchise in the State of Illinois and/or (b) you are a resident of the State of Illinois.

2. Governing Law/Consent to Jurisdiction.

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

3. Illinois Franchise Disclosure Act.

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

4. Payment Deferral.

Payment of the initial franchise fee and other initial payments owed by franchisee is deferred until the franchisor has completed its pre-opening obligations under the franchise agreement. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

5. Item 6. Item 6 in the disclosure document contains an extensive list of OTHER FEES that YOU must pay in addition to your initial investment. Make sure to review Item 6 with a professional who will look out for your best interest.

6. National Accounts. "NATIONAL ACCOUNTS," EXIST IN THIS FRANCHISE SYSTEM. THE FRANCHISOR RESERVES THE RIGHT TO ESTABLISH, IDENTIFY, NEGOTIATE TERMS AND SERVICE "NATIONAL ACCOUNTS" WITHIN YOUR TERRITORY. FRANCHISOR OR ITS AFFILIATE(S) MAY PROVIDE PRODUCTS & SERVICES TO A "NATIONAL ACCOUNT" WITH NO COMPENSATION PAID TO YOU.

7. Partner Programs. Item 12 of the disclosure document contains disclosures about YOUR potential required participation in Partner Programs. These programs may require you to execute additional Agreements wherein Franchisor or a third-party sets prices for services YOU may be required to provide. Your participation in any such Programs will INCREASE your expenses. Make sure to review Item 12 with a professional who will look out for your best interest.

Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company

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

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

Wayne M. Wudyka

Its: Chief Executive Officer

PRINCIPAL OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

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

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

«Name1»

Its: Authorized Representative

RIDER TO  
CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC  
FRANCHISE AGREEMENT  
FOR USE IN THE STATE OF MARYLAND

This rider is being entered into as of \_\_\_\_\_, 20\_\_\_\_. The parties to this Rider are \_\_\_\_\_ ("you") and Certified Restoration Drycleaning Network, LLC ("we," "us," or "Franchisor").

The parties to the attached Franchise Agreement (the "Agreement") agree as follows:

1. Background:

We and you are parties to that certain Agreement dated \_\_\_\_\_, 201\_\_ that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for the Certified Restoration Drycleaning Network franchise you will operate under the Agreement was made in the State of Maryland and you will operate the Franchise in the State of Maryland and/or (b) you are a resident of the State of Maryland.

2. Transfer of this Agreement:

Article 12.3 (c ) shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Expiration of this Agreement:

The following is added at the end of Article 4.2. of the Agreement:  
Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Termination Of Agreement:

The following is added at the end of Article 13.2 of the Agreement:  
The preceding acknowledgments 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 Act.

5. Enforcement:

The following is added at the end of Article 15. of the Agreement:  
Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Jurisdiction: The following is added at the end of Article 15 of the Agreement:  
You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. Payment Deferral:

The Maryland Office of the Attorney General, Securities Division requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Wayne M. Wudyka  
Its: Chief Executive Officer

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

PRINCIPAL OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

RIDER TO  
CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC  
FRANCHISE AGREEMENT  
FOR USE IN THE STATE OF MINNESOTA

This rider is being entered into as of \_\_\_\_\_, 201\_\_\_\_. The parties to this Rider are \_\_\_\_\_ ("you") and Certified Restoration Drycleaning Network, LLC ("we," "us," or "Franchisor").

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. 80C.01 through 80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rule 2860.0100 through 2860.9930, the parties to the attached Certified Restoration Drycleaning Network, LLC franchise agreement (the "Agreement") agree as follows:

Background.

You and we are parties to that certain Agreement dated \_\_\_\_\_, 201\_\_ that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement.

This Rider is being executed because (a) the offer or sale of the franchise for the Certified Restoration Drycleaning Network franchise you will operate under the Agreement was made in the State of Minnesota and you will operate the Franchise in the State of Minnesota and/or (b) you are a resident of the State of Minnesota.

The following language is added at the end of Article 1.3.9 of the Agreement:  
Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights that you have to use our proprietary rights.

Termination by Franchisor.

The following language is added to Article 13.1 of the Agreement:  
With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C, 14 Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise cannot be unreasonably withheld.

Waiver of Punitive Damages and Jury Trial.

The following is added to Article 15.4 of the Agreement:  
Minn. Rule 2860.4400J. prohibits the waiver of a jury trial.

Limitations of Claims.

The following is added to Article 15 of the Agreement:  
Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three years after the cause of action occurs.

Jurisdiction.

The following language is added to Article 15. if the Agreement:  
Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of jurisdiction.

Agreements/Releases.

The following language is added to Articles 4.2, 12.2 and 13:  
Minn. Rule 2860.4400D. prohibits us from requiring you to assent to a general release.



Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company

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

Wayne M. Wudyka  
Its: Chief Executive Officer

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

PRINCIPAL OWNER

\_\_\_\_\_

«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

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

«Name1»  
Its: Authorized

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

RIDER  
CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK

DATED \_\_\_\_\_

Article 4.2 is hereby amended with the addition of the following language to the end of the last sentence of the paragraph:

“provided, however, that all rights arising in your favor from the provisions of Article 33 of the GBL of the State of New York, and the regulations issued thereunder, shall remain in force; it being the intent of this proviso that the non-waiver provisions of BGL, sections 687.4 and 687.5 be satisfied.”

Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company

By: \_\_\_\_\_  
Wayne M. Wudyka  
Its: Chief Executive Officer

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

PRINCIPAL OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

RIDER  
CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA

This rider is being entered into as of \_\_\_\_\_, 20\_\_\_\_\_. The parties to this Rider are \_\_\_\_\_ ("you") and Certified Restoration Drycleaning Network, LLC ("we," "us," or "Franchisor").

The parties to the attached Franchise Agreement (the "Agreement") agree as follows:

In accordance with:

- **Section 9-08-06 of the North Dakota Century Code, Articles 10 and 14 of the franchise agreement should include the following language:**  
"Covenants not to compete such as those mentioned are generally considered unenforceable in the State of North Dakota."
- **Section 51-19-09 of the North Dakota Franchise Investment Law, Sec Article 15.2 of the Franchise Agreement, the second paragraph should the following language:**  
"The site of arbitration be agreeable to all parties."
- **Section 51-19-09 of the North Dakota Franchise Investment Law, Article 15 of the franchise agreement will be amended to state:**  
All jurisdictions for a North Dakota franchisee will occur within the State of North Dakota.
- **Section 51-19-09 of the North Dakota Franchise Investment Law, Article 15 of the Franchise Agreement is amended to read:**  
"Apart from civil liabilities as set forth in Section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud) the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents, and is unfair to a franchise investor to require them to waive their rights under North Dakota Law.
- **Section 51-19-09 of the North Dakota Franchise Investment Law, Article 15.4 of the Franchise Agreement the following sentence will be deleted:**  
"We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us."  
**The following statement will be added:**  
We will not require a North Dakota franchisee to consent to a waiver of exemplary and punitive damages.
- **Section 51-9-09 of the North Dakota Franchise Investment Law, Section 15 of the Franchise Agreement should include the following language:**  
"The statute of limitations under North Dakota law applies."

Certified Restoration Drycleaning Network, LLC,  
a Michigan limited liability company

By: \_\_\_\_\_  
Wayne M. Wudyka  
ITS: Chief Executive Officer

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

PRINCIPAL OWNER

\_\_\_\_\_  
«Name1»  
FRANCHISEE: «LLC\_or\_Corp»

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

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

RIDER TO  
CERTIFIED RESTORATION DRYCLEANING NETWORK, LLC  
FRANCHISE AGREEMENT  
FOR USE IN VIRGINIA

This Rider is being entered into as of \_\_\_\_\_, 20\_\_\_. The parties to this Rider are \_\_\_\_\_ ("you") and Certified Restoration Drycleaning Network, LLC ("we," "us," or "Franchisor").

The parties to the attached Franchise Agreement (the "Agreement") agree as follows:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Certified Restoration Drycleaning Network, LLC, a Michigan limited liability company

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

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

Wayne M. Wudyka

Its: Chief Executive Officer

PRINCIPAL OWNER

\_\_\_\_\_

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

«Name1»

FRANCHISEE: «LLC\_or\_Corp»

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

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

«Name1»

Its: Authorized Representative

RIDER  
WASHINGTON RIDER TO THE FRANCHISE AGREEMENT,  
DISCLOSURE ACKNOWLEDGMENT STATEMENTS, AND RELATED AGREEMENTS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Payment of the initial franchise fee and other initial payments owed by franchisee to the franchisor will be deferred until the franchisor has completed its pre-opening obligations under the franchise agreement.

The undersigned does hereby acknowledge receipt of this addendum.

Certified Restoration Drycleaning Network, LLC,  
a Michigan limited liability company

By: \_\_\_\_\_  
Wayne M. Wudyka  
Its: Chief Executive Officer

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

PRINCIPAL OWNER

\_\_\_\_\_  
«Name1»

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

FRANCHISEE: «LLC\_or\_Corp»

By: \_\_\_\_\_  
«Name1»  
Its: Authorized Representative

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

**EXHIBIT H: TO THE DISCLOSURE DOCUMENT**

**FORM OF OPERATIONS MANUAL TABLE OF CONTENTS**

## CRDN OPERATIONS MANUAL TABLE OF CONTENTS

SECTION	PAGE
<b>1. The Textile Restoration Industry</b>	
1.1 What is "Textile Restoration"?	5
1.2 Who are CRDN's Customers?	5
1.3 What Success has Taught Us	6
1.4 What We Hope to Accomplish	7
1.5 Recent Trends in the Industry	7
<b>2. CRDN System</b>	
2.1 General Overview of the Job Life Cycle	9
2.2 Overview	35
2.3 Machines	36
2.4 Distillation	36
2.5 Detergents	36
2.6 No Filter Process	37
2.7 Maintenance of Equipment	37
<b>3. Textile Restoration Programs</b>	
3.1 Overview	51
<b>4. CRDN Wet Textile Restoration</b>	
4.1 Laundry	55
<b>5. Products</b>	
5.1 Sanitone	59
5.2 Fabritec International	59
<b>6. General Administration and Office Operations*</b>	
6.1 Record Keeping	61
6.2 Reports and Forms	61
6.3 Pricing Theory	61
6.4 CRDN Billing and Collections Procedures	62
<b>7. Fees</b>	
7.1 Job Fees	66
7.2 Program Fees	68
7.3 IT Related Fees	69
7.4 Training Related Fees	70
7.5 Convention and Regional Meetings	70
7.6 Miscellaneous/Administrative	71
7.7 Optional Services	73
7.8 ICS Fees	74
<b>8. CRDN Glossary</b>	75
<b>9. Optional Services</b>	
9.1 Electronics Operations Manual (Optional Service)	119 Pages
9.2 Art Operations Manual (Optional Service)	320 Pages
9.3 Commercial Operations Manual (Optional Service)	124 Pages
9.4 Full-Service Contents Operations Manual (Optional Service)	282 Pages



**10. Appendix**

10.1	Job File Folder	1 Page
10.2	Rush Checklist	1 Page
10.3	Scope Sheet	1 Page
10.4	Call Sheet	1 Page
10.5	Work Authorization Form	1 Page
10.6	Room by Room Inventory Form	1 Page
10.7	Leather and Fur Control Sheet	1 Page
10.8	CSR Time Sheet	1 Page
10.9	Photographing the Loss Site	1 Page
10.10	Window Treatments	1 Page
10.11	Van Checklist	1 Page
10.12	Ozone Room Diagram	1 Page
10.13	ICS Manual	61 Pages

**Total Pages**

**993**

**EXHIBIT I: TO THE DISCLOSURE DOCUMENT**

**FORM OF RELEASE**

## FORM OF RELEASE

The following is our current general release form that we expect to include in a release or other agreement that a franchisee and/or transferor may sign as part of a renewal, termination, approved transfer, or purchase by us of the assets of a franchisee's CRDN franchise. We may periodically modify the release and the form and additional provisions will be required depending on the reason for the release.

**THIS RELEASE** is given by \_\_\_\_\_ [insert names of Principal Owner(s) and Franchisee Entity] and their predecessors, agents, affiliates, legal representatives, agents, successors, assigns, heirs, beneficiaries, executors and administrators (collectively, "we," "us" or "ours"), to Certified Restoration Drycleaning Network, LLC and all of its predecessors, licensees, affiliates or subsidiaries, or their respective former or current members, managers, partners, shareholders, owners, directors, officers, employees, attorneys, agents, representatives, successors and assigns and their heirs, beneficiaries, executors and administrators (collectively, "you" or "your"). Effective on the date of this Release, we forever release and discharge you from, against and with respect to any and all claims, causes of action, suits, debts, judgments, losses, damages, agreements, promises, demands, liabilities, contractual rights and/or obligations, costs and/or expense (including without limitation reasonable attorneys' fees and costs and expenses reasonably incurred in investigating, preparing, defending against or prosecuting any litigation or claim, action, suit, proceeding or demand), of whatever nature or kind, or character, in law or in equity, which we now have or ever had against you, including without limitation, anything arising out of that certain Franchise Agreement dated \_\_\_\_\_ [insert date] (the "Franchise Agreement"), the franchise relationship between the parties, and any other relationships between you and us. This Release is effective for: (a) any and all claims and obligations, including those of which we are not now aware; and (b) all claims we have from anything which has happened up to now; provided, however, that all liabilities arising under Indiana Code Sec. 23-2-2.7, the Maryland Franchise Registration and Disclosure Law and/or the Minnesota Franchise Act are excluded from this release, and that all rights enjoyed by us under the Franchise Agreement and any causes of action arising in our favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If we are domiciled or have our principal place of business in the State of California, then we hereby expressly waive and relinquish all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

We are bound by this Release. We freely and voluntarily give this Release to you for good and valuable consideration and we acknowledge its receipt and sufficiency.

We represent and warrant to you that we have not assigned or transferred to any other person any claim or right we had or now have relating to or against you.

In this Release, each pronoun includes the singular and plural as the context may require.

This Release is governed by Michigan law.  
This Release is effective \_\_\_\_\_, 20\_\_, notwithstanding the actual date of signatures.

**IN WITNESS WHEREOF**, the undersigned execute this Release:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT J: TO THE DISCLOSURE DOCUMENT**

**FORM OF CONFIDENTIALITY, NON-DISCLOSURE, AND NON-COMPETITION AGREEMENT  
(FOR FRANCHISEE EMPLOYEES)**

**\*\* S A M P L E \*\***

**THIS DOCUMENT IS A SAMPLE ONLY. IT SHOULD BE REVIEWED BY A LOCAL ATTORNEY FOR APPROPRIATENESS AND COMPLIANCE WITH LOCAL LAWS.**

**CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT AND COVENANT NOT TO COMPETE: FOR PROTECTION OF BUSINESS INFORMATION AND TRADE SECRETS**

**THIS AGREEMENT** is executed on this \_\_\_\_ day of \_\_\_\_\_, 201\_\_ by and between <Insert Name of Cleaners/Business Entity>, a <Insert State of Incorporation/Registration> company d/b/a CRDN of <Insert CRDN Franchisee designation> ("Franchisee"), and <Insert Name of Employee> ("Individual" or "You").

**W I T N E S S E T H:**

- A. As a result of the expenditure of time, effort and money in research and development, Certified Restoration Drycleaning Network, LLC ("CRDN") has acquired experience and knowledge with respect to a restoration system for cleaning, including without limitation dry cleaning, smoke, water, and/or odor damaged clothing and other soft goods, from insured casualties ("CRDN's Business").
- B. CRDN has developed certain proprietary systems, methods, procedures, know-how, computer software programs and other associated trade secrets with respect to CRDN's Business (the "Franchise System").
- C. Franchisee and CRDN are parties to a Franchise Agreement ("Franchise Agreement"). For purposes of this Agreement, CRDN collectively refers to and includes any and all of its affiliates and subsidiaries, and their respective fiduciaries, heirs, successors, assigns, members, managers, shareholders, directors, officers, employees, attorneys, representatives, licensors, suppliers and agents.
- D. Pursuant to the Franchise Agreement, Franchisee receives certain proprietary and confidential information from CRDN concerning the Franchise System, and has agreed to certain covenants, including but not limited to, restricting in-term and post-term competition with CRDN as well as the disclosure of certain proprietary and confidential information.
- E. Franchisee has represented to CRDN that, at CRDN's request, Franchisee will secure from certain persons associated with Franchisee, confidentiality and non-competition covenants similar to those provided by Franchisee to CRDN under the Franchise Agreement.
- F. Individual is among those persons from whom Franchisee has agreed to secure confidentiality and non-competition covenants, and Individual, by virtue of his/her association with Franchisee, is willing to execute an agreement providing such covenants, all on the terms set forth below.

NOW THEREFORE, in consideration of his/her association with Franchisee and One Dollar (\$1.00), receipt of which is hereby acknowledged, Individual agrees that:

- 1. **Non-Disclosure of Confidential Information.** Individual shall not, during the term of his/her association with Franchisee or thereafter, communicate, divulge, or use for the benefit of anyone else, any Confidential Information which may be communicated to Individual, or which Individual may learn during his/her employment by Franchisee. "Confidential Information" collectively

means any information, data or knowledge about CRDN and the Franchise System, and includes, without limitation, any and all information, documentation, knowledge, trade secrets, data, techniques, or know-how, through any medium of expression, in any form or format including but not limited to electronic, web-based, video, DVD/CD-Rom, audiotape, and print, of CRDN, that is not generally known to the public that is disclosed by CRDN and/or any CRDN franchisee to Individual or that is otherwise learned by or comes into Individual's possession or knowledge in connection with, or as a result of this Agreement or the operation of the Franchise System, and that has been identified or is treated as being proprietary or confidential or that by the nature of the circumstances surrounding the disclosure or receipt, or by the nature of the information itself, would be treated as proprietary and confidential by a reasonable person. Without limitation, "Confidential Information" also includes financial, business, marketing and sales information, including without limitation strategies for sales development, performance and result information of any CRDN franchise or the Franchise System, operational information, including without limitation operating procedures and guidelines for any and all aspects of any CRDN franchise or the Franchise System, computer programs and software, pricing information, and/or supplier or other third party information, any information or documentation received and/or reviewed at any meeting between you and CRDN, and any other information or materials regarding CRDN's business and/or the Franchise System, including without limitation CRDN's operations manual, trademarks, all proprietary software including without limitation CRDN's current franchise management software and any related system(s), customer lists, and system standards. Additionally, "Confidential Information" includes all information of or about an identifiable officer, director, employee, customer or potential customer, and any customer data (collectively, the "Personal Information"). The following types of information will not be considered Confidential Information if such information: (a) is or becomes publicly available through no act or fault of Individual in violation of the terms of this Agreement; (b) becomes known by Individual on a non-confidential basis from a source which legally derives such information independently of Individual; (c) Individual can establish, by documentary evidence, was already in Individual's possession or known to Individual prior to being disclosed or provided to Individual, by or on behalf of CRDN; (d) Individual can establish, by documentary evidence, was independently developed by or on behalf of Individual without reference to CRDN's Confidential Information; (e) is freely disclosed by CRDN to a third party without an obligation of confidentiality or nondisclosure; or (f) is approved for release by written authorization of CRDN. Provided, however, the foregoing exceptions are not applicable to any Personal Information.

2. **Non-Solicitation**. Individual shall not, except as otherwise approved in writing by CRDN, either directly or indirectly, for him/herself, or through, on behalf of, or in conjunction with, any person, legal entity or third party:
  - a. During the period that Individual is associated with Franchisee and while the Franchise Agreement is in effect, (i) divert or attempt to divert any business or customer of Franchisee's business to any competitor by inducement or otherwise, or do or perform any other act injurious or prejudicial to the goodwill associated with CRDN's trademarks or either CRDN's or Franchisee's business; or (ii) own, maintain, advise, operate, engage in, be employed by, make loans to, have any interest in or relationship or association with, a business which offers the same or similar products or services as those offered by Franchisee.
  - b. For a continuous, uninterrupted two (2) year period commencing upon the earlier of the date that: (i) Individual's association with Franchisee terminates; or (ii) Franchisee's post-term non-competition covenant under its Franchise Agreement with CRDN terminates, either directly or indirectly, including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal agent, shareholder or in any other

manner whatsoever, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any business which offers the same or similar products or services as those offered by Franchisee, and which are located in or within twenty (20) miles of Franchisee's business territory or any other franchisee of CRDN, unless such other business is operated pursuant to a written license or other agreement with CRDN.

- c. This Section 2 shall not apply to the ownership by Individual of less than two percent (2%) of the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

3. **Acknowledgements.** Individual's obligations set forth in Section 2 of this Agreement shall be subject to the following provisions:

- a. If all or any portion of Section 2 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which CRDN is a party, Individual shall 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.
- b. CRDN shall have the right, in its sole discretion, to reduce the scope of any covenant or any portion thereof set forth in Section 2 hereof, without Individual's consent, effective immediately upon receipt by Individual of written notice thereof; and Individual agrees that it shall comply forthwith with any covenant as so modified.
- c. The existence of any claims which Individual may have against CRDN or Franchisee shall not constitute a defense to the enforcement by CRDN or Franchisee of the provisions of this Agreement.
- d. Individual understands and acknowledges that any failure to comply with the requirements of this Agreement will result in irreparable injury to CRDN and/or Franchisee for which no adequate remedy at law may be available, and Individual consents to the issuance of, and agrees to pay, all court costs and reasonable attorneys' fees incurred by CRDN and/or Franchisee in obtaining, without the posting of any bond, an *ex parte* or other order for injunctive or other legal and/or equitable relief with respect to the requirements of this Agreement.
- e. Individual understands and agrees that CRDN is a third party beneficiary to this Agreement, and will have a separate and independent right to enforce this Agreement against Individual, regardless of whether Franchisee joins in any such action.

4. **Remedies.** Individual acknowledges that it would be difficult and impractical to calculate and ascertain accurately or definitively the damages which would be sustained by Franchisee or CRDN as a result of a breach of any provision of this Agreement. Accordingly, Franchisee and CRDN shall have the following rights and remedies in the event of a breach of any provision of this Agreement:

- a. **Injunctions.** The right to obtain a temporary restraining order and preliminary and permanent injunctions restraining and enjoining you from initiating or continuing, directly or indirectly, any breach of any provision of this Agreement;



- b. **Damages**. The right to recover all actual damages sustained by Franchisee and/or CRDN directly or indirectly as a result of any breach by Individual, and the right to obtain a judgment for that amount; and
- c. **Costs and Expenses**. The right to recover all costs and expenses, including reasonable attorneys' fees, incurred in enforcing its rights and remedies under this Agreement. The foregoing rights and remedies shall be cumulative and not alternative, and shall be in addition to every right and remedy given under this Agreement, and existing at law or in equity, by statute or otherwise. The election of one or more rights or remedies shall not constitute a waiver of the right to pursue other rights or remedies.

5. **Miscellaneous**.

- a. **Binding Effect**. This Agreement shall be binding upon, and inure to the benefit of each of CRDN, Franchisee and Individual, and their respective representatives, successors and assigns. However, it is expressly agreed and understood that Individual's obligations under this Agreement are personal and may not be transferred or assigned by Individual to anyone else.
- b. **Entire Agreement/Counterparts**. This Agreement contains the entire agreement between CRDN, Franchisee and Individual, and supersedes any and all other agreements, contracts, promises or representations, whether written or oral. No subsequent agreements, contracts, promises or representations shall be binding upon and/or effective by or between CRDN, Franchisee and Individual, unless set forth in writing and signed by the party against whom enforcement is sought. This Agreement may be executed in counterparts (including electronic and facsimile counterparts), each of which shall be deemed an original and such counterparts together shall constitute one and the same instrument.

The parties have reviewed all of the terms of this Agreement with their respective attorneys, and have read, understand and voluntarily accept all of its terms.

**FRANCHISEE:** <Insert Name of Cleaners/Business Entity> d/b/a/ CRDN of <Insert CRDN Franchisee designation>

By: \_\_\_\_\_  
<Insert Name of Owner>  
 Its: Authorized Representative

**INDIVIDUAL/YOU**

\_\_\_\_\_  
<Insert Name of Employee>

### STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT K: TO THE DISCLOSURE DOCUMENT**

**RECEIPTS**

**RECEIPT**

(Retain this copy for your records)

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 Certified Restoration Drycleaning Network, 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.

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 at least 14 calendar days before the execution of the franchise or other agreements or payment of any consideration that relates to the franchise relationship. Michigan, Oregon and Wisconsin require 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.

If Certified Restoration Drycleaning Network, 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 agency listed on Exhibit E.

The franchisor is Certified Restoration Drycleaning Network, LLC, located at 2060 Coolidge Hwy., Berkley, Michigan 48072. Its phone number is (800) 963-2736.

The Disclosure Document Issuance Date is April 28, 2023.

The franchise seller for this offering is ( ) Wayne Wudyka ( ) Steve Gibson ( ) Michael Riegel, each located at 2060 Coolidge Hwy., Berkley, Michigan 48072, phone number (800) 963-2736; or \_\_\_\_\_ with a principal business address of: \_\_\_\_\_ and telephone number of: \_\_\_\_\_.

Certified Restoration Drycleaning Network, LLC authorizes the respective state agencies identified on Exhibit E to this Disclosure Document to receive service of process for it in the particular state.

I received a Disclosure Document dated April 28, 2023 that included the following Exhibits: (A) Financial Statements; (B) Form of Franchise Agreement, with sub-Exhibits A-I; (C) Franchise Contact Information; (D) Form of Electronic Funds Transfer Authorization; (E) List of State Agencies/Agents for Service of Process; (F) Form of Accounts Receivable Promissory Note; (G) State Addenda and Franchise Agreement Riders; (H) Form of Operations Manual Table of Contents; (I) Form of Release; (J) Form of Confidentiality, Non-Disclosure, and Non-Competition Agreement (for Franchisee Employees); and (K) Receipts.

**Dated:** \_\_\_\_\_

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

(Print Name) \_\_\_\_\_, and/or on behalf of a corporation to be incorporated.

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

(Print Name) \_\_\_\_\_, and/or on behalf of a corporation to be incorporated.

**RECEIPT**

(Copy for Certified Restoration Drycleaning Network, LLC)

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 Certified Restoration Drycleaning Network, 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.

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 at least 14 calendar days before the execution of the franchise or other agreements or payment of any consideration that relates to the franchise relationship. Michigan, Oregon and Wisconsin require 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.

If Certified Restoration Drycleaning Network, 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 agency listed on Exhibit E.

The franchisor is Certified Restoration Drycleaning Network, LLC, located at 2060 Coolidge Hwy., Berkley, Michigan 48072. Its phone number is (800) 827-0207.

The Disclosure Document Issuance Date is April 28, 2023.

The franchise seller for this offering is ( ) Wayne Wudyka ( ) Steve Gibson ( ) Michael Riegel, each located at 2060 Coolidge Hwy., Berkley, Michigan 48072, phone number (800) 963-2736; or \_\_\_\_\_ with a principal business address of: \_\_\_\_\_ and telephone number of: \_\_\_\_\_.

Certified Restoration Drycleaning Network, LLC authorizes the respective state agencies identified on Exhibit E to this Disclosure Document to receive service of process for it in the particular state.

I received a Disclosure Document dated April 28, 2023 that included the following Exhibits: (A) Financial Statements; (B) Form of Franchise Agreement, with sub-Exhibits A-I; (C) Franchise Contact Information; (D) Form of Electronic Funds Transfer Authorization; (E) List of State Agencies/Agents for Service of Process; (F) Form of Accounts Receivable Promissory Note; (G) State Addenda and Franchise Agreement Riders; (H) Form of Operations Manual Table of Contents; (I) Form of Release; (J) Form of Confidentiality, Non-Disclosure, and Non-Competition Agreement (for Franchisee Employees); and (K) Receipts.

**Dated:** \_\_\_\_\_

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

(Print Name) \_\_\_\_\_, and/or  
on behalf of a corporation to be incorporated.

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

(Print Name) \_\_\_\_\_, and/or  
on behalf of a corporation to be incorporated.