

**FRANCHISE DISCLOSURE DOCUMENT**  
**(Area Representative)**



We offer an area representative franchise opportunity for Area Representatives to solicit, recruit, and service Salty Dawg Pet Salon unit franchises on our behalf within a specified territory pursuant to an Area Representative Agreement (the “Franchised Business” or “Area Representative Business”).

The total investment necessary to begin operations of a Salty Dawg Pet Salon Area Representative Franchised Business is \$132,350 to \$392,900. This includes \$125,000 to \$375,000. that must be paid to the Franchisor or affiliate.

This Disclosure Document summarizes certain provisions of your Area Representative 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, the Franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact: Joe Dent at 780 Lynnhaven Pkwy, Ste. 240, Virginia Beach, VA 23452, (888) 412-7224.

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 (FTC). 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 18, 2025, as amended July 3, 2025

## How to Use This Franchise Disclosure Document

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

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E-1 and E-2.
<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 F 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 Salty Dawg Pet Salon business in the area?</b>	Item 12 and the “territory” provisions in the Area Representative 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 Salty Dawg Pet Salon franchisee?</b>	Item 20 or Exhibits E-1 and E-2 list 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 Area Representative 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 Area Representative 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 Area Representative Agreement grants you a Territory, the Franchisor may have the right to compete with you in your Territory.

**Renewal.** Your Area Representative 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 Area Representative 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 C.

Your state also may have laws that require special disclosures or amendments be made to your Area Representative 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 Area Representative Agreement requires you to resolve disputes with the Franchisor by mediation, arbitration, and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement to disputes. It may also cost more to mediate, arbitrate, or litigate with the Franchisor in Virginia than in your own state.
2. **Sales Performance Required.** 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.
3. **Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the Franchisor's financial ability to provide services and support to you.
4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

Certain states may require other risks to be highlighted, check the "State Specific Addenda" to see whether your state requires other risks to be highlighted.

**MICHIGAN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

**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 franchisee 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 franchise'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, logo type, advertising, or other commercial symbol in the same area 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.
- (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 of a franchise, except for 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 franchisee 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 obligation 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 Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

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

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

To simplify the language in this Franchise Disclosure Document (the “Disclosure Document”), “**Salty Dawg**,” “**Salty Dawg Pet Salon**,” “**Franchisor**,” and “**we**,” “**us**,” or “**our**” means Purely Pet LLC d/b/a Salty Dawg, the franchisor. The terms “**you**,” “**your**,” or “**Franchisee**” refer to the person or entity who buys this franchise. If you are a corporation, limited liability company, or other entity, then “**you**” will also include your owners.

### **The Franchisor**

Purely Pet LLC is a Virginia limited liability company formed on May 20, 2024. Our principal place of business is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. We do business under the name Salty Dawg Pet Salon.

We have not operated an Area Representative business of the type you are being offered, but we do solicit and support unit franchisees.

We began offering Area Representative franchises in August 2024. Pursuant to a separate Franchise Disclosure Document, we began offering Unit Franchises in August 2024. As of December 31, 2024, we had 2 unit franchises in operation.

Exhibit C contains our agents for service of process.

### **Parents and Predecessors**

Loyalty, LLC is our parent company. It was formed on November 6, 2017 as a Virginia Limited Liability company. Loyalty, LLC’s principal place of business is also located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452.

On July 26, 2024, we purchased substantially all the assets of Salty Dawg, LLC (our “Predecessor”), a Delaware limited liability company formed on August 13, 2018, whose principal business address was 9615 Spring Green Blvd, Ste 500, Katy, Texas 77494. Our Predecessor had offered unit franchises since 2019 under the same trademarks. Our predecessor did not offer area representative franchises.

### **Affiliates**

We have an affiliate, ATAX LLC d/b/a ATAX, formed on February 20, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. ATAX offers franchise opportunities for retail tax, bookkeeping and payroll office. ATAX LLC also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2019. As of December 31, 2024, ATAX had 116 Unit franchises and 35 Area Representative franchises.

We have an affiliate, Cooper's Scoopers LLC d/b/a Cooper's Scoopers, formed on December 26, 2024, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Cooper's Scoopers offers franchise opportunities for a professional pet waste management business. Cooper's Scoopers also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2025. As of December 31, 2024, Cooper's Scoopers had no Unit or Area Representative franchises.

We have an affiliate, Loyalty Brokers LLC d/b/a Loyalty Business Brokers, formed December 30, 2020, with a principal place of business at 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452. Loyalty Business Brokers offers franchise opportunities for business brokerage. Loyalty Brokers LLC also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2022. As of December 31, 2024, Loyalty Business Brokers had 3 Unit franchises and 2 Area Representative franchises.

We have an affiliate, Loyalty Business Services LLC d/b/a Ledgers, formed on October 30, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Ledgers offers franchise opportunities for compliance, advisory and tax services. Ledgers also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2020. As of December 31, 2024, Ledgers had 2 Unit franchises and 1 Area Representative franchises.

We have an affiliate, Tectum Franchising LLC d/b/a CR3 American Exteriors, formed on July 12, 2022, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. CR3 American Exteriors offers franchise opportunities for offering, selling, and performing roofing and remodeling services for commercial and residential customers. CR3 also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2022. As of December 31, 2024, CR3 American Exteriors has 17 Unit franchises and no Area Representative franchises.

We have an affiliate, The Inspection Boys Franchise USA LLC d/b/a The Inspection Boys, formed on December 19, 2020, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. The Inspection Boys offers franchise opportunities for commercial and residential inspection services. The Inspection Boys also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2020. As of December 31, 2024, The Inspection Boys had 16 Unit franchises and 1 Area Representative franchise.

We have an affiliate, Zoomin Groomin USA, LLC d/b/a Zoomin Groomin, formed December 30, 2020, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Zoomin Groomin offers unit franchise opportunities for pet grooming services. Zoomin Groomin also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. You will not directly conduct business with this affiliate.

This affiliate has offered franchises since 2020. As of December 31, 2024, Zoomin Groomin USA, LLC had 169 Unit outlets and 46 Area Representative franchises.

### **Industry-Specific Laws and Regulations**

The offer of a franchise is primarily governed by Federal Trade Commission regulation and corresponding state laws. These laws generally require that a prospective franchisee receive a Franchise Disclosure Document at least fourteen (14) calendar days before signing of a binding agreement or making any payment. Franchisor is responsible for the preparation and related costs of the Franchise Disclosure Document that a Franchise Seller or Area Representative must give to a prospective franchisee. As an Area Representative, you may not solicit, and Franchisor will not offer, a franchise opportunity in any franchise registration state until we have an effective registration in the respective state.

In addition, certain states have laws governing the sale of franchises and the relationship between Franchisors and franchisees. In general, as to state franchise sales laws, we must engage in truthful advertising and avoid making false claims or financial performance representations, except as stated in the Franchise Disclosure Document.

Typically, state relationship laws mandate fair dealing between a Franchisor and franchisee, require that a franchisee not be terminated or otherwise lose rights as a franchisee absent good cause, and require that reasonable standards be applied in determining whether to approve the sale or transfer of an existing franchise to a new franchise owner.

Under certain state laws (Illinois, New York, and Washington State), you may be required to register as a franchise broker before you may offer or sell franchises to residents of those states or as to a territory located in those states.

At the current time, there are no known Federal laws or regulations specific to pet grooming and pet care industries. We recommend that you consult with your attorney regarding the application of any State or local laws or regulations regarding pet grooming and pet care industries, including, without limitation, State licensing requirements.

You should investigate the application of these laws further.

### **The Business We Offer**

You may, subject to our approval, enter into an Area Representative Agreement in the form attached to this Disclosure Document as **Exhibit B** (the “Area Representative Agreement” or “Franchise Agreement”) to develop and operate a Salty Dawg Pet Salon area representative business (an “Area Representative Business” or “Franchised Business”) within a designated Area Representative Territory. The Area Representative Territory will be defined when you sign an Area Representative Agreement and will convey area representative rights over a specific number of unit locations for potential development as set forth in Item 12. You (the “Area Representative”) will find, solicit, and recruit prospective franchisees on our behalf to purchase and operate a unit franchised business (each a “Unit Franchise”) within a specific geographic region within your Area Representative Territory (each a “Unit Territory”) using the Salty Dawg Pet Salon model (“System”). Our Unit Franchise opportunity is offered through a separate disclosure document and

involves delivering pet grooming services and related products (collectively “Services”) in a protected territory. The Area Representative Agreement conveys no right to deliver the Services or otherwise operate a Unit Franchise.

As an Area Representative, you will support each Unit Franchise developed in the Area Representative Territory by providing marketing and operating assistance pursuant to our guidelines. The Unit Franchises will serve all customers within their territory, and you will not have management control over their sales or operations.

As an Area Representative, subject to the terms of your Area Representative Agreement, you will receive the following compensation from us:

Franchise Fee Compensation – For each Unit Franchise that we authorize and approve for development and operation within your designated Area Representative Territory during the initial term of your Area Representative Agreement, we will pay to you a one-time payment/amount equal to fifty percent (50%) of the “Net Initial Franchise Fee” that is unconditionally paid to us and received by us (the “Initial Fee Commission”).

The Net Initial Franchise Fee is calculated by taking the initial franchise fee paid by a prospect purchasing a Unit Territory within your Area Representative Territory (each a “Unit Franchisee”) and then deducting any brokerage and certain other fees that are imposed, paid, or owed by us. For example, if a \$49,500 initial fee is paid to us by a Unit Franchisee and the Unit Franchisee was introduced to you or us by a broker with a \$20,000 referral fee, the Net Initial Franchise Fee would be \$29,500, and you would receive \$14,750 (50% of the \$29,500 Net Initial Franchise Fee). Certain other fees are incurred solely by you and are not accounted for when calculating the Net Initial Franchise Fee. For example, if you used our internal sales team on the same deal, you would only receive \$5,000, because the Internal Sales Fee is solely incurred by you (\$10,000 minus the Internal Sales Fee) (See Item 6 for further details on fees imposed). The Initial Fee Commission will vary by deal. Further, you will not receive any Initial Fee Commission until after the Unit Franchise fee is unconditionally paid to us and received by us.

Royalty Compensation – For each Unit Franchise that is developed and first opened within your Area Representative Territory during the initial term of your Area Representative Agreement, we will pay to you fifty percent (50%) of the net royalty fees paid to us by each Unit Franchisee for unit outlets located within your Area Representative Territory, during the initial term of your Area Representative Agreement and, if applicable, the renewal term of your Area Representative Agreement (the “Royalty Compensation”).

The Royalty Compensation is calculated based on net royalty fees paid to us from authorized franchisees of Unit Franchises with Salty Dawg Pet Salon approved Unit Franchise designated territories located within your Area Representative Territory. The Royalty Compensation does not include and is not calculated based on any other fees paid to us from Unit Franchisees including, without limitation, brand development fund fees, renewal fees, transfer fees, training fees, technology fees, interest fees, audit fees, attorney fees, or any other fees paid to us or our affiliates by Unit Franchisees.

As an Area Representative you are not be authorized to sign any documents on our behalf or on behalf of the System. You will refer all qualified franchisee candidates to us and we may, in our

sole and absolute discretion, determine whether or not we approve or disapprove of each respective franchisee candidate. If we reject a franchisee candidate or elect to not enter into a Unit Franchise Agreement with a franchisee candidate, you will not receive any compensation. As an Area Representative, as to your Area Representative Territory and Unit Franchisees located within your Area Representative Territory, you will have the following on-going responsibilities, all subject to our then current standards, specifications, and requirements: (a) to solicit, screen, and recruit franchisee candidates that meet our qualifications and requirements; (b) to refer qualified franchisee candidates to us; (c) to provide on-going operational support and training support to franchisees in accordance with our System; (d) to provide marketing assistance in accordance with our System; (e) to conduct recurring performance and quality control assessments; and (f) to monitor and maintain franchisee relations.

As an Area Representative you will be responsible for complying with all applicable laws, rules, and regulations related to the offer and sale of franchises including the proper disclosure of our Unit Franchise Disclosure Document, the disclosure and registration of your activities as a franchise seller, and adherence to all laws, rules, and regulations related to the offer and sale of franchises.

### **Market and Competition.**

The primary customers are people looking to own their own small business in the field of pet grooming. These customers are typically either business professionals, pet industry veterans, or individuals with a passion for pets. The general market for pet grooming is highly developed and very competitive. The primary competition for Unit Franchisees are local, regional, and national dog groomers. These include independently owned and franchised locations. Area Representatives will face competition from other franchisors, franchise brokers, and other Area Representatives who also recruit individuals looking to purchase franchise opportunities similar to the Unit Franchise Offering.

## **ITEM 2. BUSINESS EXPERIENCE**

**Joe Dent: Chief Executive Officer.** Joe Dent is our Interim CEO. He also serves as CEO of Everything Pets, LLC, a division of Loyalty, LLC, since July 2025, in Virginia Beach, VA. He served as an Executive Consultant at Loyalty, LLC from February 2025 until June 2025 in Virginia Beach, VA. Mr. Dent served as President of Three Dog Bakery from October 2019 until November 2024, in Kansas City, Missouri.

**Heather Williams: Vice President of HR and Training.** Heather Williams has served as our Vice President of Human Resources and Training since June 2024. From August 2020 to February 2024, Ms. Williams served as the Director of Operations for ILKB II in Lakeland, FL. From August 2014 to May 2020, Ms. Williams served as Owner of Wake Holdings LLC in Brentwood, TN.

**Megan Murphy: HR & Training Operations Manager.** Megan Murphy has served as our Operations Support Manager since September 2024. From June 2024 to September 2024, Ms. Murphy served as a Stylist for Proper Hair in Serenbe, GA. From April 2023 to March 2024 Ms. Murphy served as a Lash Artist for Glam House & Co. in Carrollton, GA. From April 2022 to

February 2024, Ms. Murphy served as the Admissions Advisor, Marketing & Sales Leader, Clinic Classroom Development Leader and Trainer and Recruitment and Placement Leader for Pual Mitchell the School-Milwaukee & Atlanta in Atlanta, GA. From January 2019 to May 2022 Ms. Murphy served as the Senior Stylist, Salon Manager and Education Trainer for Deep Water Salon & Spa in Chelan, WA.

**John T. Hewitt: Chairman of Salty Dawg and Chief Executive Officer and Chairman of Loyalty, LLC**

John T. Hewitt has served as the Chief Executive Officer and Chairman of our parent company, Loyalty, LLC, located in Virginia Beach, Virginia since September 2017. Mr. Hewitt has also served as our Chairman since our formation.

**ITEM 3. LITIGATION**

**John Hewitt, Chief Executive Officer and Chairman of Loyalty, LLC, has been named in the following litigation:**

**Pending Actions:**

*Ira Lubert and John Martinson v. John T. Hewitt, ATAX, LLC, and Loyalty, LLC* (Case No. 250503829) filed May 30, 2025, in the Court of Common Pleas of Philadelphia County, Pennsylvania. The Plaintiffs are investors in ATAX, LLC, and claim that they were solicited to invest in ATAX as a qualified opportunity zone business (QOZB), yet it did not qualify as a QOZB. Further, Plaintiffs claim that, as a result of the non-QOZB status, the defendants promised certain changes, some of which defendants have not made, specifically an amendment to ATAX's Operating Agreement and certain financial controls. The Plaintiffs also allege that Hewitt, with the assistance of certain Loyalty employees, made cash withdrawals from ATAX and paid those funds to himself, to Loyalty, and to other Loyalty brand companies without ATAX Board approval. The Plaintiffs sue for (1) Fraud Against Defendant Hewitt, (2) Aiding and Abetting Fraud (Against Defendant Loyalty), (3) Breach of Fiduciary Duty (Against Defendants Hewitt and Loyalty), (4) Conversion (Against Defendants Hewitt and Loyalty), (5) Breach of Contract (Against Defendants Hewitt, Loyalty, and ATAX), (6) Unjust Enrichment (Against Defendants Hewitt and Loyalty), (7) Breach of Virginia Stock Corporation Act (Against Defendants Hewitt and Loyalty), and (8) Violation of Pennsylvania Voidable Transfers Act (Against Defendants Hewitt and Loyalty). Plaintiffs seek a judgment, an order rescinding their investments, redemption of their ownership interests at a fair value, monetary damages in an amount to be determined at trial, fees, and interest. Defendants offered to buy out the Plaintiffs' investments for a profit that would be beneficial to Plaintiffs. Defendants intend to file an Answer generally denying the allegations and vigorously contesting the claims made. No trial date has been set.

**Concluded Actions:**

*K&A Publicidad, Inc. v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc. d/b/a Siempre Tax and John Hewitt*, (Case No. CL17-4169), filed on September 5, 2017 in the Virginia Beach Circuit Court. Plaintiff is a company owned and controlled by Kirke Franz Szawronski. Plaintiff

alleges that it entered into a contract with Liberty to provide promotional and strategic relationship services to help grow the SiempreTax brand. Plaintiff alleged that defendants breached the contract for failure to pay for services and seeks damages. This matter, along with the Kirke Franz Szawronski matter described below, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

Kirke Franz Szawronski v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc., d/b/a Siempre Tax and John Hewitt, (Case No. CL17-4170), filed on September 5, 2017 in the Virginia Beach Circuit Court. Plaintiff was a former employee and filed a lawsuit claiming breach of employment agreement with Plaintiff by failing to pay 6-months' severance. Plaintiff also asserted a claim for defamation. This matter, along with the KK&A Publicidad, Inc. matter described above, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

Asbestos Workers' Philadelphia Pension Fund, derivatively on behalf of Liberty Tax, Inc., v. John Hewitt, Defendant, and Liberty Tax, Inc., Nominal Defendant, (Case No. 2017-0883), filed on December 12, 2017 in the Court of Chancery of the State of Delaware. Plaintiff alleged that Liberty's former CEO, John T. Hewitt ("Hewitt"), breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with the Erie County matter described just below and then continued under the caption In Re: Liberty Tax, Inc. Stockholder Litigation.

Erie County Employees Retirement System, on behalf of Liberty Tax, Inc. v. John T. Hewitt, Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, was filed the Court of Chancery of the State of Delaware on December 22, 2017. Plaintiff also alleged that Hewitt breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought to enjoin Hewitt from managing LT's business operations and seeks compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with another action into In Re: Liberty Tax, Inc. Stockholder Litigation (*see below*).

On December 27, 2017, the two above referenced shareholder matters were consolidated with the caption In Re: Liberty Tax, Inc. Stockholder Litigation, (Case No. 2017-0883). The Complaint asserted claims for breach of fiduciary duty and breach of fiduciary duty by violation of the nominating committee charter. A mediation took place on November 12, 2018 but did not result in a resolution. On March 15, 2019, the parties entered into a stipulation of settlement of which the material terms of the settlement are as follows: (i) Liberty Tax agreed to implement an anti-harassment policy; (ii) Liberty Tax will conduct yearly code of conduct training; (iii) Liberty Tax will terminate for cause any employee who violates the anti-harassment policy that has been substantiated as such; (iv) Liberty Tax will revise its audit committee charter to reflect that SEC filings must be pre-approved by the Audit Committee; (v) Liberty Tax will take reasonable steps to be listed on NASDAQ or NYSE; (vi) Hewitt agrees not to solicit company employees; and (vii) No party admits any liability. On June 28, 2019, the Court of Chancery approved a Derivative and Class Action Settlement. All issues have been resolved and the Delaware derivative actions were dismissed with prejudice in 2019 without any finding of liability on the part of the Defendants.

*RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al.*, (Case No. 2:18-cv-00127-HCM-DEM), filed on March 7, 2018, in the United States District Court for the Eastern District of Virginia. This purported shareholder derivative action was filed on behalf of LT Inc. seeking to address the alleged wrongs of LT Inc.'s directors and officers. The Complaint claimed that certain conduct created an inappropriate tone at the top, resulting in the loss of key executives, employees, directors and otherwise harmed LT Inc. The Complaint asserted claims under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Section 10(b) and Rule 10b-5 and Section 20(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Complaint sought the following relief: (a) declaring that the Plaintiff may maintain this action on behalf of LT Inc., and that the Plaintiff is an adequate representative of LT Inc.; (b) declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to LT Inc.; (c) determining and awarding to LT Inc. the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon; (d) directing LT Inc. and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect LT Inc. and its shareholders from a repeat of the damaging events (e) awarding LT Inc. restitution from Individual Defendants; and (f) awarding the Plaintiff the costs and disbursements of the action, including reasonable attorneys' and experts' fees, costs, and expenses. The parties to this action have agreed that all claims have been settled and agreed to dismiss the action within five business days of the *In Re: Liberty Tax, Inc. Stockholder Litigation* action in Delaware Chancery Court becoming final. On September 11, 2019, the Court conducted a hearing for approval of the settlement and for attorney's fees. On September 12, 2019, the Court found the shareholder notice to be adequate and in compliance with the requirements of rule 23.1(c). The Court approved the settlement ordered in the *In Re: Liberty Tax, Inc. Stockholder Litigation* which incorporated the Plaintiff's claims in this action and approved the \$295,000 in attorneys' fees, including the case contribution award of \$2,000 to Plaintiff. This matter was dismissed with prejudice.

*Bablu Shahabuddin v. JTH Tax, Inc., Siempre Tax, and John Hewitt*, (Case No. 2:18-cv-00016-MDS-DEM) filed on January 11, 2018 in the United States District Court for the Eastern District of Virginia. The plaintiff filed suit which, as amended, claimed that JTH Tax and Siempre Tax failed to pay to him certain monies owed under various Purchase and Sale Agreements, that a constructive trust should be imposed on certain monies received by Liberty Tax and Siempre for the subsequent sale of those territories, that the defendants committed fraud in the inducement, and that Hewitt orally guaranteed the Purchase and Sale obligations. Shahabuddin sued for \$600,000 in compensatory damages, \$350,000 in punitive damages, plus pre-judgment and post-judgment interest. The parties reached a settlement of all claims whereby JTH Tax paid \$775,000 and a portion of certain upcoming Net Revenue at offices previously owned by the plaintiff to him. The case was dismissed on November 14, 2018.

*JTH Tax LLC d/b/a Liberty Tax Service v. John T. Hewitt, Loyalty LLC, ATAX LLC, ATAX Franchise, Inc. and Yneva Marte* (Case No.2:21-cv-00076-RBS-LRL) filed February 4, 2021 in the United States District Court for the Eastern District of Virginia. Plaintiff filed the action alleging that ATAX franchisees maintained signage that is confusingly similar to trade dress and logos of the plaintiff. The Plaintiff also alleges that Mr. Hewitt tortiously interfered with certain contractual relations by discussing with existing and former franchisees of the Plaintiff

opportunities at ATAX. The complaint alleges that Mr. Hewitt breached his employment agreement by sharing and using trade secrets, confidential and proprietary information for his own benefit or the benefit of a third party by convincing existing and prospective franchisees of the Plaintiff to leave and instead open ATAX franchises. Lastly, the complaint alleges that Mr. Hewitt engaged in a conspiracy to unfairly compete against and damage Liberty Tax by convincing customers and prospective customers to pick ATAX over Liberty Tax. Plaintiffs sought \$20 million in actual damages, treble damages, costs, and legal fees along with injunctive relief. The Defendants have denied the allegations. The matter was settled on December 31, 2021. Under the Settlement Agreement, Defendants agreed to pay the Plaintiff \$545,000 over 6 years, and to refrain from: (1) unfairly competing with Liberty Tax by tortiously interfering with its franchise agreements; (2) diverting or attempting to interfere with or divert any leases from Liberty; (3) palming off any of ATAX's products or services as those of Liberty; (4) any action or statement that could reasonably cause likelihood of confusion that any ATAX location is associated with Liberty; (5) possessing, misappropriating, using or disclosing Liberty's confidential information; and (6) accessing any of Liberty's computer systems or databases. ATAX agreed to permanently close three specific ATAX locations and use their best efforts to assign leases for those locations to Liberty. The Court retained jurisdiction to enforce the final consent order.

#### **Governmental Actions Against John T. Hewitt:**

In the Matter of a Consent Order between The Commissioner of Financial Protection and Innovation and John T. Hewitt, before the Commissioner of Financial Protection and Innovation for the State of California. The Commissioner is the head of the Department of Financial Protection and Innovation (Department) and is responsible for administering and enforcing the Franchise Investment Law (FIL) (Corp. Code, § 31000 et seq.), The Commissioner has determined pursuant to her authority under the FIL that John T. Hewitt is “subject to” the Final Order entered in the matter of United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern 25 District of Virginia (the Final Order). John T. Hewitt agreed that he is required to disclose the Final Order in Item 3 of any Franchise Disclosure Document filed by any present or future Franchisor where John T. Hewitt is a director, trustee, general partner, principal officer, or maintains management responsibility relating to the sale or operation of the respective Franchisor, along with disclosure of this governmental action.

#### **Governmental Actions against Unrelated Entities:**

United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service, (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern District of Virginia. The Department of Justice (DOJ) filed a complaint asserting that Liberty Tax failed to maintain adequate controls over the tax returns prepared by its franchisees and failed to take steps to prevent the filing of potentially false or fraudulent returns prepared by its franchises despite notice of fraud at some of its franchisee stores. The primary focus of the DOJ’s investigation that preceded the complaint related to the alleged operational wrongdoing of 12 franchisees. Also on December 3, 2019, the DOJ and Liberty Tax filed a joint motion asking the court to approve a proposed settlement order setting forth certain enhancements to the Liberty Tax service compliance program and requiring Liberty Tax to retain an independent monitor to oversee the implementation of the required enhancements to the

compliance program; and work with Liberty Tax to make further enhancements to improve the compliance program. As part of the proposed order, Liberty Tax agreed not to rehire John T. Hewitt, under whose supervision the alleged conduct at issue occurred. Liberty Tax further agreed not to grant John T. Hewitt any options or other rights to acquire equity in Liberty Tax or to nominate him to the company's board of directors. On December 20, 2019, the court granted the joint motion and the motion to seal, which fully resolved the legal proceedings initiated by the DOJ. Although he is referenced in the court's order, John T. Hewitt was not a named party to this case.

Other than these actions, no litigation is required to be disclosed in this Item.

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

No bankruptcy is required to be disclosed in this Item.

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

The Initial Fees depend on the size and composition of the Area Representative Territory you select. We calculate this initial fee (the "Initial Area Representative Fee") based on (i) the number of Unit Territories that can fit within the geographic boundaries of the Area Representative Territory and (ii) a determination of whether any Unit Territories have already been developed by a Unit Franchisee of ours within the geographical boundaries of the Area Representative Territory.

When purchasing area representative rights over an Area Representative Territory with no developed Unit Franchises, the Initial Area Representative Fee will be calculated at a rate of \$12,500 per undeveloped territory. Typically, an Area Representative will purchase area representative rights over a geographical region that can fit 10-30 Unit Territories. Each Unit Territory will contain a minimum population of 125,000 residents. Therefore, the typical Initial Area Representative Fee will be approximately \$125,000 to \$375,000.

When purchasing an Area Representative Territory with existing developed Unit Territories, the precise amount will be negotiated based upon pertinent factors such as: how many existing Salty Dawg Pet Salon Unit Territories are already in your Territory and how much royalty revenue they generate, demand for Services and the level of competition in your area, population density, geographic layout, road layouts and traffic patterns, and demographic factors.

The purchase of an Area Representative Territory and payment of an Initial Area Representative Fee conveys no right to operate a Unit Franchise or provide Services in any Unit Territory, which can only be offered and granted through a separate disclosure document.

You must submit the Initial Area Representative Fee to us before attending the Initial Area Representative Training. We will refund to you the Initial Area Representative Fee if we do not approve your application or if you do not pass our Initial Area Representative Training in

accordance with our current passing standards for training provided that you return to us all materials which we distributed to you during training.

We offer a 10% discount to all qualified veterans and first responders who purchase a Territory. We may offer limited incentive programs as part of our franchise development efforts. We reserve the right to offer, modify, or withdraw any such incentive program without notice to you.

Except as described in this Item 5, the Initial Fees are uniformly imposed and non-refundable.

We disclose financing terms in Item 10.

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## ITEM 6. OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Fee for Franchisee Leads (Note 2)	Typically \$100 - \$150/ per lead.	Within 30 days of transaction	If we help with lead generation.
Late Fees	Lesser of 1% per month or the highest rate allowable by law of the state where you are located.	As incurred	Apply to amounts owed to us that are five (5) days past due.
Technology Fee	Our then current fee up to \$250 a month (presently, \$125 per month)	Monthly	We reserve the right to require use of certain software and services and to collect the fee from you.
Internal Sales Fee (Note 3)	\$5,000 per Unit Franchise	At the time of sale	If our internal franchise sales staff or representative assists in the sale of a Unit Franchise within your Territory, you will pay this fee to us.
Transfer Fee (Note 4)	\$10,000	Prior to acceptance of transferee	Payable at closing and subject to state law.
Franchise Broker Fee (Note 5)	You will pay 50% of any Broker Fee. Broker Fees will vary by broker organization and referral source.	At the time of sale	We will deduct the actual amount of a broker's or referral fee before calculating any Initial Fee Commission to you
Sales, Excise & Gross Receipts Tax	Actual amount of tax paid	As incurred	You must reimburse us if we pay any tax on any fee related to this Agreement
Indemnification	Will vary under circumstances	As incurred	Payable for any loss we incur from the operation of your Franchised Business.
Attorney Fees and Costs	Actual amount incurred	At time of expense	If we are the substantially prevailing party in litigation with you, you agree to pay our costs and attorney fees.
Third Party Charges	Will vary under circumstances	As incurred	Payable if we incur on your behalf.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Assistance Fee in the event of incapacity or death	Reimbursement for expenditures incurred	At time of expense	We are entitled to this fee if we must operate your franchise due to your death or incapacity.

**Note 1: Fees-**All of the listed fees are uniformly imposed payable to us, unless otherwise noted and are non-refundable. We reserve the right to set off amounts owed to us against amounts owed to you.

**Note 2: Fee for Franchisee Leads:** We may generate leads and offer them to you but you are under no obligation to purchase them from us, except that you will pay the Internal Sales Fee if a lead generated by us purchases a Unit Franchise within your Territory as described below. The cost will vary depending upon cost and difficulty of obtaining the prospects.

**Note 3: Internal Sales Fees** – Loyalty, LLC, maintains a sales team (our “Internal Sales Team”) to generate, develop, and close qualified leads. We also actively advertise the brand and our franchise offering to generate interest. A representative from our Internal Sales Team typically ensures a prospect is disclosed with the then-current unit disclosure document, works with the prospect throughout the sales process to select a territory, and coordinates with the operations and legal teams through execution of a Unit Franchise Agreement. You will incur this fee on the sale of a Unit Franchise in your Territory unless you fully generate, develop, and close the transaction without the assistance of a representative from the Internal Sales Team. We will deduct the Internal Sales Fee from any Initial Fee Commission otherwise due to you. This fee is paid by you and is not a shared expense.

**Note 4: Transfer-**For the protection of both buyer and seller, we may serve as the settlement agent on transfers of ownership. In addition, prior to transfer, all outstanding amounts due to us must be paid in full. If you transfer your Area Representative Territory to an entity in which you are the majority owner, or if you transfer the Territory to your child, parent, sibling, or spouse, you will not pay this fee.

**Note 5: Broker Fees-** We may utilize an independent franchise broker or referral sources to develop leads. Brokers are typically paid a commission based on a successful referral. Rates vary. If a Unit Franchise located within the geographical boundaries of your Area Representative Territory is sold to an individual or entity referred by a broker, then the amount of the broker’s fee will be shared equally (50/50) between you and us. This amount will be deducted before any Initial Fee Commission is paid to you. For example, if a \$49,500 initial fee is paid to us by a Unit Franchisee and the Unit Franchisee was introduced to you or us by a broker with a \$20,000 broker/referral fee, the Net Initial Franchise Fee would be \$29,500, and you would receive \$14,750 (50% of the \$20,000 Net Initial Franchise Fee).

## ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure	Estimated Amount	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Area Representative Fee (Note 1)	\$125,000	\$375,000	Check or Wire Transfer	At Signing of Area Representative Agreement	Us
Initial Advertising	\$3,000	\$5,000	Check or Wire Transfer	After opening	Suppliers
Cost of Travel, Food and Lodging for Training (Note 2)	\$200	\$2,000	As Incurred	During Training	Airlines, Lodging & Ground Transportation
Rent (Note 3)	\$0	\$3,000	As Arranged	As necessary	Lessor, utilities
Computer Equipment Services & Software (Note 4)	\$750	\$1,500	As Arranged	Before Beginning Operations	Suppliers
Insurance (Note 5)	\$200	\$400	As Arranged	Before Beginning Operations	Insurance Company
Professional Fees-Legal & Accounting (Note 6)	\$200	\$1,000	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds-3 Months (Note 7)	\$3,000	\$5,000	As Arranged	As Necessary	Us, Employees, Utilities, Lessor & Suppliers
<b>TOTAL (Note 8)</b>	<b>\$132,350</b>	<b>\$392,900</b>			

**The initial fees listed above which are paid to us are nonrefundable as paid. Whether such fees paid to third parties are refundable would depend upon their policies.**

**Note 1: Initial Area Representative Fee.** The Initial Area Representative Fee will be calculated at a rate of \$12,500 per undeveloped territory. Typically, an Area Representative will purchase area representative rights over a geographical region that can fit 10-30 Unit Territories. Depending on your creditworthiness, we may extend financing to you up to 50% of the Initial Area Representative Fee (minimum 50% deposit) with interest at a rate of 12% per annum. Please see Item 10 for additional details.

**Note 2: Initial Training.** You must pay for the travel, lodging, meals, and wages of attendees at Initial Training if not offered via videoconference. Your costs will vary.

**Note 3: Rent.** You may operate out of your home or lease an office. Rent varies depending upon

office size, location and market conditions in your area. If you make improvements to the property, you will incur additional expenses for these items.

**Note 4: Computer Hardware & Software:** You must comply with our computer hardware, software, and network services specifications which we set forth in detail in Item 11.

**Note 5: Insurance.** You may obtain insurance to cover any risk associated with your activity. These insurance costs vary by state and can change over time based on your risk management skill.

**Note 6: Professional Fees.** You may incur professional fees like legal and accounting expenses to assist with this franchise purchase, your entity set up, licensing, and other legal and accounting issues.

**Note 7: Additional Funds.** It is recommended to have additional funds available for unforeseen expenses. The estimate of additional funds for the initial phase of your Franchised Business is based on your operating expenses for the first three months of operation. The estimate of additional funds does not include employee salary or an owner's salary or draw.

**Note 8: Total.** We base this estimate upon the years of experience our management team has in the industry.

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

### **The Goods or Services Required to be Purchased or Leased**

#### **Franchise Disclosure Documents.**

You must use the Franchise Disclosure Documents we provide when recruiting franchises. We will provide an electronic link or copy free of charge. You may also purchase additional paper or disk copies from any copy service.

#### **Prospects.**

You may purchase from us contact information on prospective franchisees which we may gather and offer to sell to you.

#### **Advertising and Marketing.**

You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing prior to its use.

#### **Computer Hardware, Software, and Network Services.**

We require you to use such computer hardware, software, and network services as we specify in the Guide which may include vendor designations.

#### **Insurance.**

We do not require you to obtain any insurance coverage, except as required by your state law. You may obtain insurance to cover any risk associated with your activity.

## **Whether We or Our Affiliates are Approved Suppliers**

### **Advertising and Marketing**

We are an approved supplier of Advertising and Marketing material, Franchise Disclosure Documents, and leads. We are the only approved supplier of Franchise Disclosure Documents.

### **Alternative Suppliers**

You may contract with alternative suppliers if they meet our criteria as defined in the Guide if any. We do not provide our criteria for approving suppliers to our franchisees. You must use the Franchise Disclosure Document that we provide or make available to you to use.

There is no fee to propose another supplier. If you wish to propose another supplier, you must do so in writing. We will review the supplier to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within thirty (30) days if we approve or disapprove of an alternative supplier. If we have not responded to a written request for approval of an alternate supplier within thirty (30) days, then the request is approved if they meet the requirements as specified in the Guide, if any. If we revoke approval for a supplier, we will provide written notice to you.

### **Issuance and Modification of Specifications**

We issue and modify specifications and standards to Area Representatives or approved suppliers through the Operations Guide or through other written directives.

### **Revenue from Required Purchases or Leases**

We may, but do not currently, derive revenue or other material consideration from required purchases or leases by you. Our affiliate does not earn revenue or other material consideration from required purchases or leases.

In our last fiscal year ending December 31, 2024, we did not derive any revenue from required purchases or leases.

### **Supplier Payments to Us**

We currently do not receive rebates, payments or other material benefits from suppliers as a result of purchases or leases by our Area Representatives; however, we reserve the right to do so in the future. Further, we may utilize any such funds received by us in our sole judgment.

For the fiscal year ended December 31, 2024, neither we nor any of our affiliates received any revenues or material benefit based on area representative purchase from any suppliers.

### **Purchasing or Distribution Cooperatives**

There currently are no purchasing or distribution cooperatives

### **Purchase Arrangements**

We do not presently, but may in the future, negotiate purchase arrangements with suppliers including price terms on behalf of one or more Area Representatives.

**Material Benefits to You**

At this time, we do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

However, we can terminate your Area Representative Agreement if you do not comply with our supplier standards, if any, as defined in the Guide. In addition, you must be in compliance with your Area Representative Agreement in order to be eligible to renew it.

**Officer Interest in Suppliers**

John Hewitt owns an interest in us. No persons affiliated with us are currently an approved (or the only approved) supplier for Area Representative purchases.

**Required Purchases as a Proportion of Costs**

We estimate that your required purchases of goods and services will be approximately 1-5% in establishing the Franchised Business and 5%-10% in operating the Franchised Business.

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## ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Area Representative and other agreements. Review Below for section and Item Numbers.

Franchisee's Obligations	Section In Area Representative Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	4.3,	11
b. Pre-opening purchases/leases	3.5.C	7, 8
c. Site development and other pre-opening requirements	3.5	11
d. Initial and ongoing training	3.5.A3.5.B	11
e. Opening	3.5.D.	11
f. Fees	2.2	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	3.5.E	8, 11
h. Trademarks and proprietary information	1.10,5	13, 14
i. Restrictions on products/services offered	3.4.D	8, 16
j. Warranty and customer service requirements	3.4.F	6
k. Territorial development and sales quotas	1.5, 3.2, Schedule 2	12
l. Ongoing product/service purchases	2.2.B, 2.2.C, 2.2.D	8
m. Maintenance, appearance & remodeling requirements	Not Applicable	Not Applicable
n. Insurance	3.5.F	8
o. Advertising	1.10	8, 11
p. Indemnification	3.7	6
q. Owner's participation/management/staffing	3.1	15
r. Records and reports	3.6	11
s. Inspections and Audits	3.6	11
t. Transfer	6	17
u. Renewal	1.3.B	17
v. Post-termination obligations	7.6	15, 16, 17
w. Non-competition covenants	7.8	15, 16, 17
x. Dispute resolution	8	17

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## ITEM 10. FINANCING

Parameter	Initial Area Representative Fee
Item Financed (Note 1)	Up to 50% of the Initial Area Representative Fee
Source of Financing (Note 2)	Us
Down Payment	Minimum of 50%
Amount Financed	Up to 50%
Interest Rate/Finance Charge	12% per annum (including finance charges)
Period of Repayment	90 days to three years
Security Required	Personal Guarantee
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt (Note 3)	If the Area Representative is an entity, its owners must personally guarantee the debt.
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the Franchised Business.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.
Intent to Sell (Note 4)	There is no intent to sell, assign or factor the debt to a third party.
Consideration for placement of financing (Note 5)	None

### NOTES

Note 1:       **Discretionary**-We may in our sole discretion provide financing to you.

- Note 2: **Form**-Schedule 5A contains the form of Promissory Note that you must sign for us to extend financing to you.
- Note 3: **Entity Guarantee**- If the Area Representative is an entity, each officer, shareholder, member, or owner of the entity must execute a personal guaranty for the note, agreeing to be personally and jointly and severally liable for its repayment. Schedule 5A has the Promissory Note that must be executed. We do not guarantee your notes, leases, or obligations.
- Note 4: **Intent to Sell**-We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so.
- Note 5: **Commissions/Rebates**-We do not receive any direct or indirect payments or other consideration for placing financing.

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

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

### **1. Pre-Opening Obligations:**

**Initial Training.** We provide an Initial Training program in Virginia Beach or another designated training location, or online such as Zoom, at our choosing. The topics covered in Initial Training are described in the chart below in this Item 11. (Area Representative Agreement, Section 3.5.A).

**Operations Guide.** We provide access to our Operations Guide (the "Guide" or "Operations Guide") to offer guidance in the operation of your Franchised Business. (Area Representative Agreement, Section 3.5.E).

**Length of Time Before Opening:** The typical length of time between the signing of the Area Representative Agreement and the opening of your Franchised Business is 1-3 months. You will begin operations and be open for business within 30 days of completing Initial Training. If you do not begin operations within this time, more time will be given, but you will remain subject to Minimum Development requirements.

Factors that can affect the time to open for business include: (1) obtaining financing; (2) obtaining licenses and permits; (3) completing training ; (4) and acquiring computer hardware, software, equipment, and supplies.

**Site Selection:** You may operate from your home or any office location. We do not offer site selection assistance. (Area Representative Agreement Section 4.3). We do not own the premises and lease them to them. We do not assist in conforming the premises to local ordinances and building codes or obtaining any required permits or construction, remodeling, or decorating the premises.

**Computer Hardware and Software.** We may issue computer, software, equipment, and supply specifications. (Area Representative Agreement, Section 4.7). We do not provide these items or deliver or install these items.

## **2. During the Operation of the Franchise:**

**Operational Support.** We offer assistance with operating problems and issues that you may encounter. (Area Representative Agreement, Section 4.5). We do not provide assistance with hiring or training employees.

**Marketing Support.** We offer marketing assistance and support. (Area Representative Agreement, Section 4.8).

**Additional Training or Seminars.** We may elect to offer additional training or seminars. (Area Representative Agreement, Section 4.2).

**Establishing Prices.** We establish the price of our unit franchise offering, which is offered through a separate disclosure document.

## **3. Advertising Program and Fund:**

**Advertising Fund.** We do not have an Advertising Fund or collect Advertising Fees from Area Representatives.

**Corporate Website.** We will develop and maintain a comprehensive website that contains your contact information. (Area Representative Agreement, Section 4.9).

**Digital Marketing.** We may create, operate and promote websites, social media accounts (including, but not limited to, Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, Marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Area Representative Agreement, Section 4.9 and 4.10).

**Digital Campaigns.** We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor. (Area Representative Agreement, Section 4.11).

**Advertising Material.** We supply you with templates of advertising materials. (Area Representative Agreement, Section 4.8)

**Advertising Council.** We intend to establish a Franchisee Advisory Council (“FAC”) composed of franchisees that advises us on operational and advertising policy. We select the members. The FAC serves in an advisory capacity only. We have the power to form, change, or dissolve the advertising council.

**Advertising Cooperative.** You are not required to participate in a local or regional advertising cooperative.

#### 4. Use of Your Own Advertising Material:

You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. We will approve or disapprove of advertising material within 30 days from the date we receive the material. (Area Representative Agreement, Section 4.8).

**Private Websites.** You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval. (Area Representative Agreement, Section 1.10D).

**Computer System.** You must comply with our computer hardware, software, and POS specifications. Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system. Currently we require: (i) a technological current computer network system with appropriate backup and data safeguarding measures built into it; (ii) high-speed internet connection; and (iii) video conference capabilities (collectively, the "Computer System"). We estimate the costs of purchasing or leasing the Computer System is between \$750 and \$1,500. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is \$500 - \$750.

**Operations Guide.** Exhibit D contains the Table of Contents for our Area Representative Operations Manual ("Operations Manual"). The Operations Manual will be provided in digital format through a web-based portal with additional webpages, PDF files, template files, images, video recordings, and audio recordings (collectively the "Guide"). As of December 31, 2024, the Guide contained approximately 458 items (the "Page Count").

The Guide, along with all other information posted on our web-based portal, is confidential and remains our property. As an Area Representative, you will have access to the Operations Manual for our unit franchisees and area representatives.

We also provided Area Representatives with a copy of our then-current unit franchise disclosure document.

**Independent Access to Information.** We have and you are required to provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to prospect, financial, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request.

## 5. Initial Training Program:

### AREA REPRESENTATIVE TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of on-the-job Training	Location
Introductions & Ice Breaker	.5	0	(Note 1)
What is an Area Representative	.5	0	
Goals and Strategies	1	0	
Lead Generation	1	0	
Mentoring your franchisees	1	0	
Effective Communication	1	0	
DO's & Don'ts of an AR	.5	0	
Providing Comprehensive Support for Franchise Success	1	0	
The Salty Hub as an AR	.5	0	
First 90 Days	.5	0	
A day in the life of an AR	1	0	
Questions	1	0	
<b>Total</b>	<b>9.5</b>	<b>0</b>	

Note 1—We hold a one-day Area Representative Initial Training in Virginia Beach, Virginia, another designated training center, or online, at our choosing. We provide Area Representative Initial Training within 60 days of signing an Area Representative Agreement.

Typically, Area Representatives will also be Unit Franchisees of ours and will have completed the initial training program for unit franchises. In the event you have not completed the initial area representative training for unit franchises, then you will also complete that program.

### UNIT TRAINING PROGRAM

TRAINING PROGRAM Topic	In Person Training (Hrs)	On-the-Job Training (Hrs)	Location
Foundational Operations and Business Management Training	4	0	Note 2
Operating Systems, Tools, Resources and Support	4	0	
Mandatory and Approved Vendors, Internal Systems, Policies and Procedures	2	0	

Marketing Systems, Tools, Resources and Support	2	0	
Finance Systems, Tools, Resources and Support	2	0	
Learning and Development Systems, Tools, Resources and Support	2	0	
Shadow a Live Salty Dawg	0	8	
Pre-Opening Staff Operations	0	8	
<b>Total</b>	<b>16</b>	<b>16</b>	

Note 2. We hold a one-week Unit Initial Training in Virginia Beach, Virginia, another designated training center, or online, at our choosing. The training is ongoing, but it must be scheduled seven (7) days in advance.

**Instructors:** The following Instructors teach our initial training program: Heather Williams, Alex Ruester, and Megan Murphy. Item 2 contains the nature of the Instructors' experience as to Heather Williams and Megan Murphy. We set forth the nature of Alex Ruster's experience here:

*Alex Ruester, Operations Support Manager.* Alex Ruester has served as the Operations Support Manager for us since January 2024. From September 2022 to December 2023 Alex Ruester served as the Staffing Manager for Randstad USA in Chesapeake, VA. From July 2021 to August 2022 Alex Ruester served as the Operations Manager for StaffHealth, LLC in Virginia Beach, VA. From December 2020 to June 2021 Alex Ruester served as Environmental Health Specialist for Virginia Department of Health in Lynchburg, VA.

We set forth the length of the Instructors' experience in the industry and with the franchisor below:

<u>Instructor</u>	<u>Years of Experience in the Field</u>	<u>Years of Experience with the Franchisor</u>
Heather Williams	12	1
Alex Ruester	8	1
Megan Murphy	9	1

**Curricula:** The instructional material includes the Guide, lectures, demonstrations, discussions, practice and forms.

**Tuition:** We do not charge you to attend Initial Training, but you are responsible for travel, lodging, transportation, meal costs, and your employees' wages to attend initial training.

**Successful Completion of Training.** We require that you or, in the case of an entity, your principals, attend Initial Training. You may enroll your management personnel upon our approval. Your successful completion of Initial Training to our satisfaction is required to operate a franchise. We advise you during or immediately after Initial Training if you have successfully completed the course. You must attend Initial Training at least one week before operating the Business.

**Additional Training or Seminars.** We may also elect to offer and require you to attend, either live or electronically, additional training and seminars that we may offer. You must pay any travel and living expenses that you or we incur to attend training, but we will not charge for training.

## **ITEM 12. TERRITORY**

Your Territory will be set forth in Schedule 1 of the Area Representative Agreement and will be defined by zip codes, political, or geographic boundaries. A typical territory will contain 10-30 Unit Territories for potential development. Each Unit Territory will contain a minimum population of 125,000 people. We obtain population data from the U.S. Census Bureau or another service we deem reliable.

You may operate the Franchised Business out of your home or any office location. You are not required to obtain our approval if you relocate your Franchised Business. As an Area Representative, you will recruit and support Unit Franchisees. You and other franchisees may solicit outside of your territory for franchisees to locate a Unit Franchise in your Territory, including using other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, pursuant to our guidelines. The Area Representative Agreement does not provide you with any right to operate a Unit Franchise.

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

Continuation of your Territorial rights depends on achieving a certain development goal, namely, the Minimum Requirements specified in your Area Representative Agreement. You must satisfy the Minimum Requirements as to the total yearly number of Unit Franchise Agreements signed with Unit Franchises designated and to be located within the Area Representative Territory and, the cumulative number of Unit Franchises located within your Area Representative Territory that are developed, open, and operating. Your Minimum Requirements will be developed and agreed upon by both of us before you sign an Area Representative Agreement and will be set forth in Schedule 2 of your Area Representative Agreement, based upon what you and we believe is a reasonable development schedule given the characteristics of the Area Representative Territory. If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the development of additional units. You will still maintain your rights, obligations and share in the Initial Franchise Fees and Royalties for any existing Unit Franchise Agreements for the term of the Area Representative Agreement so long as you are in compliance with the remaining terms of the Area Representative Agreement; however, we may then freely sell and develop the terminated territory without sharing any of the initial franchise fees or royalties.

We may grant to you approval to open additional outlets within your Territory if circumstances permit such as the population increases. We may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate more outlets. You do not have rights of first refusal or similar rights to acquire additional territories.

Your right to operate a Franchised Business in the Territory are subject to certain rights reserved by us. We, our parent, and our affiliates reserve all rights not expressly granted in the Area Representative Agreement. For example, we, our parent, and our affiliates have the right to:

- (a) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks (or another trademark) without any compensation to you;
- (b) to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Territory, yet work in another, and other cross-territorial situations;
- (c) to establish and operate, and grant rights to others to establish and operate a Franchised Businesses or similar businesses at any locations outside of the Territory and on any terms and conditions we deem appropriate;
- (d) to own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with another businesses (competitive or not), which may offer products and services like your Franchised Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Area Representative Agreement;
- (e) to operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;
- (f) to negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,
- (g) to engage in any other business activities not expressly prohibited by the Area Representative Agreement, anywhere.

Our Affiliates ATAX, Cooper's Scoopers, Loyalty Business Brokers, Ledgers, and Zoomin Groomin also offer Area Representative franchises. Our Affiliates will solicit and accept Unit sales within your territory. Also, Zoomin Groomin franchises a business that sells goods or services similar to those our unit franchisees will offer. Zoomin Groomin franchisees offer mobile pet grooming services and related products (as opposed to brick-and-mortar), which may include soliciting or accepting orders from customers within your Territory. Our parent, Loyalty, will resolve any conflicts. Loyalty's principal business address is 780 Lynnhaven Parkway, Suite 240,

Virginia Beach, Virginia 23452. We may share physical and training facilities with Loyalty and its affiliates.

Except as stated in this Item, neither we, our parent, or affiliates, as of the Issuance Date, have any plans to operate or franchise a business under a different trademark that offers or sells similar goods and services.

### ITEM 13. TRADEMARKS

We own the Salty Dawg Pet Salon marks identified below. We have a registration with the United States Patent and Trademark Office (“USPTO”) for the SD Marks:

Trademark	Registration/ Serial Number	Registration Date	Register
	5,679,479	February 19, 2019	Principal Register
SALTY DAWG PET SALON	7,089,516	June 27, 2023	Principal Register
	99035753	Pending Not Registered Applied for February 10, 2025	Principal Register
SWEET DAWG PET BAKERY	98147474	Pending Not Registered Applied for August 23, 2023	Principal Register

All required affidavits and renewals have been filed.

In addition to the SD Marks in the tables above, we also claim common law rights in the following marks, which have not been registered with the USPTO or any individual state:

Common Law Mark	Registration Number	Registration Date	Register
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	Common Law	Common Law	Common Law
	Common Law	Common Law	Common Law
SALTY DAWG BARBERSHOP	Common Law	Common Law	Common Law

We do not have a federal registration for the pending trademarks in the first table or the Marks in the tables above. Therefore, these trademarks do not have many legal benefits and rights as federally registered trademarks. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court. There are currently no effective agreements that significantly limit our rights to use or license any of the trademarks used by our franchises. All required affidavits have been filed.

As of the Issuance Date of this Franchise Disclosure Document, there is no litigation pending arising out of our SD Marks, and we are not aware of any superior rights in, or infringing use of, our SD Marks that could materially affect your right to use these SD Marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court adverse to our rights in the SD Marks, nor are there any pending infringement, opposition, cancellation proceedings, or material litigation involving the SD Marks. We are not a party to, or bound by, any agreement that significantly limits our rights to use or license others to use the SD Marks in any manner material to the Franchised Business we offer.

Notwithstanding the foregoing, our Predecessor previously operated a company owned outlet through a related entity in Katy, Texas. The Katy location was sold by the affiliate to third party and is currently operated, independent of the franchise system, as a Salty Dawg Pet Care store similar to the one you will operate under the SD Marks at 9615 Spring Green Blvd, Ste 500, Katy, Texas 77494.

We grant you the right to operate your Franchised Business under all of the applicable SD Marks and any other trade names, SD Marks, service SD Marks, and logos currently used or that may hereafter be used in the operation of a Franchised Business. You must strictly comply with our standards, specifications, rules, requirements, and instructions regarding the use of the SD Marks. The goodwill associated with our SD Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of the Franchised Business during the term of the Area Representative Agreement. Any increase in the goodwill associated with the SD Marks during the term of the Area Representative Agreement will benefit us. All rights to use our SD Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of the Area Representative Agreement.

You may not use all or any portion of our SD Marks as part of your company name and, without our prior written consent, as part of your trade name or “d/b/a.” You may not modify the SD Marks with words, designs, or symbols, except those which we license to you. You may not use our SD Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Area Representative Agreement, and continuing after the expiration or termination of the Area Representative Agreement, neither you nor any of your managers will, directly or indirectly, contest, challenge, or assist in the contesting or challenging of, our right, title, ownership, or interest in the SD Marks, trade secrets, methods, procedures, and advertising techniques that are part of our Franchise System, or contest our sole right to register, use, or license others to use, our SD Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the words “Salty Dawg,” “Salty Dawg Pet Salon,” “Sweet Dawg Pet Bakery” or any similar phrase. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your Approved Location that you are an independently owned and operated licensed franchisee of Salty Dawg, LLC.

You must notify us immediately when you learn about an infringing or challenging use of the SD Marks. If you are in compliance with the Area Representative Agreement, we will defend you against any claim brought against you by a third party that your use of the SD Marks in accordance with the Area Representative Agreement infringes upon that party’s intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our SD Marks. We have no obligation to pursue any infringing users of our SD Marks. If we become aware of an infringing user, we will take the action we think appropriate, but we are not required to take any action if we do not feel it is warranted.

We will indemnify you from and against any proceeding arising out of your authorized use of any of the SD Marks, pursuant to and in compliance with your Area Representative Agreement, resulting from claims by third parties that your use of any of the SD Marks infringes their trademark rights, in any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the terms of your Area Representative Agreement. We will not indemnify you against the consequences of your use of the SD Marks unless such use is authorized and in accordance with your Area Representative Agreement. We have the right to control the defense of any proceeding arising from your use of any SD Mark, including the right to compromise, settle, or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

We are not aware of either superior prior rights or infringing uses that could materially affect your use of the principal trade SD Marks in the state where the franchised business will be located.

We may acquire, develop, and use additional SD Marks not listed here, and may make those SD Marks available for your use and for use by other Salty Dawg Pet Salon Businesses. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any SD Marks. We will not reimburse you for disputes where we challenge your use of a Mark.

You must modify or discontinue using any of the SD Marks, and add new names, designs, logos or commercial symbols to the SD Marks as we instruct. We may, at our sole discretion, impose

changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing vehicle signage, marketing displays, trade dress, vehicle wraps, and other advertising), at your sole expense.

You are prohibited from using the SD Marks in any electronic mail address or in any domain name, except those we designate for use by you in connection with your Franchised Business. You may not maintain your own website to promote your Franchised Business. You may not maintain a presence or advertise on the Internet, social media or on any other public computer network, or any other kind of public modality, using the SD Marks or referencing your franchise brand and Franchise System without our prior written consent, which may be withheld or retracted in our sole judgment. We may identify all operating Franchised Businesses, and require you to list your Franchised Business in conjunction with the respective SD Marks in any traditional and electronic directories that we may designate.

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

At this time, we do not hold any patents. We claim a copyright in our Operations Guide, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights.

There are no currently effective determinations of the U.S. Copyright Office or any court or any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow others to use the copyrighted materials.

We will protect our patent or copyrights as necessary. We will remain in control of any such litigation. We may modify or change the copyrighted materials and compel you to accept and adopt such modifications or changes at your expense. We know of no superior rights or infringing uses that could materially affect your use of the copyrighted materials. We claim proprietary rights in our Guide and business methods. You must use these items per the terms of your Area Representative Agreement. We are not required to participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or patent. If any third party establishes to our satisfaction, in our discretion, that it possesses copyright or patent rights superior to ours, then you must modify or discontinue your use of these materials in accordance with our written instructions. You have no rights under the Area Representative Agreement if we require you to modify or discontinue using the subject matter covered by the copyright.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the Area Representative Agreement. You may use our Confidential Information to perform your obligations under the Area Representative Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your Franchised Business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Area Representative Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise System, all other materials relating to our Franchise System that are not a matter of public record, and all information generated during the performance of the Area Representative Agreement.

“Customer Data” is considered Confidential Information and includes all information about Customers that may be collected in connection with their use of your services including, but not limited to, name, telephone number, address and email address.

Upon termination of your Area Representative Agreement, you must return to us our Operations Guides and any Confidential Information. You may never - during the initial term, any renewal term, or after the Area Representative Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

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

You or a fully trained and qualified manager must personally supervise and participate in the day-to-day operation of your Franchised Business, unless we permit otherwise in writing. You must devote your time, attention and best efforts to performing the obligations under the Area Representative Agreement.

While you may designate a Business Manager to fulfill your obligations of day-to-day management, you are still responsible. You must inform us in writing of the identity of your Business Manager, furnish information to us regarding the candidate’s background, experience and credentials, and secure our advance written approval before you engage him or her. We will not unreasonably withhold or deny our approval. Your Business Manager is not required to have an equity interest in the Franchised Business.

Your Business Manager must have complete decision-making authority with regard to your Franchised Business and must have authority to act on your behalf in all respects under the Area Representative Agreement. Your Business Manager must successfully complete the Initial Training program, and complete ongoing advance training requirements.

All owners of the Franchised Business must guarantee the obligations under the Area Representative Agreement.

Franchisees and Business Managers are subject to a covenant not to compete along with confidentiality requirements.

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

You must offer and sell only the goods and services that we approve, and you must sell all the goods and services that we authorize.

Area Representatives do not offer or sell any tangible goods. Instead, you will recruit prospects to open and operate a Unit Franchise within the geographical boundaries of your Area Representative Territory. Unit Franchises can only be offered and sold through disclosure of a separate unit disclosure document. You will only be permitted to recruit prospects when we have issued a current unit disclosure document and obtained any required state registration. We will take commercially reasonable efforts to keep our disclosure document current and to disclose any prospect as soon as practicable after receiving your request. As an Area Representative you will not be authorized to sign any documents on our behalf or on behalf of the System. You will refer all qualified franchisee candidates to us and we may, in our sole and absolute discretion, determine whether or not we approve or disapprove of each respective franchisee candidate. If we reject a franchisee candidate or elect to not enter into a Unit Franchise Agreement with a franchisee candidate, you will not receive any compensation.

As long as you meet the Minimum Requirements (see Item 12) and are in substantial compliance with the terms and conditions of the Area Representative Agreement, you will not be limited to who you recruit and refer to us. However, you will be required to utilize our Internal Sales Team to assist in any transaction if the lead was generated by us, our parent, an affiliate of ours, or an existing franchisee of ours. Likewise, we will always establish the price of the Unit Franchise offering in our reasonable judgment, which may vary from time to time. Finally, you will not have management authority or responsibility over the offer or sell of Unit Franchises.

As an Area Representative you will be responsible for complying with all applicable laws, rules, and regulations related to the offer and sale of franchises including the proper disclosure of our Unit Franchise Disclosure Document, the disclosure and registration of your activities as a franchise seller, and adherence to all laws, rules, and regulations related to the offer and sale of franchises.

You will be required to offer certain services with your Area Representative Territory and support Unit Franchisees located within your Area Representative Territory. You will have the following on-going responsibilities, all subject to our then current standards, specifications, and requirements: (a) to solicit, screen, and recruit franchisee candidates that meet our qualifications and requirements; (b) to refer qualified franchisee candidates to us; (c) to provide on-going operational support and training support to franchisees in accordance with our System; (d) to provide marketing assistance in accordance with our System; (e) to conduct recurring performance and quality control assessments; and (f) to monitor and maintain franchisee relations. You will follow our systems, processes, and guidance in delivering these services. You will not have management authority or responsibility over the operation of Unit Franchises. We do not establish staffing requirements or hours of operation for your Franchised Business.

We have the right to change the types of authorized goods and services with reasonable notice, but we do not intend to materially change the nature of the area representative relationship or the authorized goods and services.

**ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION  
THE FRANCHISE RELATIONSHIP**

**This table lists important provisions of the Area Representative and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

<b>Provision</b>	<b>Section In Area Representative Agreement</b>	<b>Summary</b>
a. Length of the franchise term	1.3.A	10 years.
b. Renewal or extension of the term	1.3.B	Can be renewed for successive terms if you are in compliance with your Area Representative Agreement (“Agreement”).
c. Requirements for you to renew or extend	1.3.B	You must notify us in writing at least 120 days before the expiration of the Agreement, sign a new Area Representative Agreement along with a general release of claims, The new Area Representative Agreement may contain materially different terms and conditions than your original contract, but we cannot reduce your percentage of receipt of Initial Franchise Fees or Royalties upon renewal.
d. Termination by franchisee	7.1	You may terminate the Agreement if you sell the Franchised Business pursuant to the terms of the Area Representative Agreement or do not renew. Further, you may terminate for any reason permitted by law.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	7.3, 7.4	We can terminate only if you default (subject to applicable state law).
g. “Cause” defined – curable defaults	7.4	Violate the Agreement, Guide, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice (subject to applicable state law).
h. “Cause” defined – non-curable defaults	7.3	Do not pass initial training, fail to properly disclose a franchise candidate, make an unauthorized sales representation or commitment, commit a felony or serious misdemeanor, violate any franchise, antitrust, or securities law, commit fraud, misappropriation, embezzlement, or unfair and deceptive practices, fail to fully and truthfully submit Biographical Information, refuse to fill

Provision	Section In Area Representative Agreement	Summary
		out requested forms and provide documentation, become insolvent, have a final judgment, death or incapacity without a timely transfer; repeated breaches.
i. Franchisee’s obligations on termination/renewal	7.6	Cease operations and stop using our Marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets, at our option; return Guide and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents (subject to applicable state law).
j. Assignment of contract by franchisor	6.1	We may assign to a successor an interest who remains bound by terms of Agreement.
k. “Transfer” by franchisee - defined	6.2	Includes transfer of Area Representative Agreement, any interest of the Area Representative Agreement, or substantially all of the assets of the Franchised Business.
l. Franchisor’s approval of transfer by franchisee	6.2.c	We have the right to approve all transfers (subject to applicable state law).
m. Conditions for franchisor’s approval of transfer	6.7.C	<p>You must be:</p> <ul style="list-style-type: none"> <li>-current in monetary obligations;</li> <li>-in compliance with the Area Representative Agreement;</li> <li>-execute any transfer, amendment, or release forms that we may require;</li> <li>-provide to us a copy of the proposed transfer documents;</li> <li>-transferee must meet our criteria;</li> <li>-transferee must execute our then-current Agreement;</li> <li>-pay to us the Transfer Fee;</li> <li>-transferee must satisfactorily complete our initial training program;</li> <li>-comply with the post-termination provisions;</li> <li>-transferee must obtain necessary licenses and permits;</li> <li>-the transfer must be made in compliance with any laws that apply to the transfer;</li> </ul>

Provision	Section In Area Representative Agreement	Summary
		<p>-you must request that we provide the prospective transferee with our current Franchise Disclosure Document.</p> <p>(Subject to applicable state law).</p>
n. Franchisor's right of first refusal to acquire franchisee's business	6.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business, subject to applicable state law. You must provide notice of an offer within fourteen (14) days of receipt and we must exercise our right of first refusal within fifteen (15) days of your notice to us.
o. Franchisor's option to purchase franchisee's business	6.6	We have a right to purchase your furniture, equipment, signage, fixtures, and supplies post-termination (subject to applicable state law).
p. Death or disability by franchisee	6.7	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement (subject to applicable state law).
q. Non-competition covenants during the term of the franchise	7.8.A	No competition allowed in the United States and its territories (subject to applicable state law).
r. Non-competition covenants after the franchise is terminated or expires	7.8.B	You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years (subject to applicable state law). A competitive business is one that directly or indirectly recruits, searches for, or solicits others to engage in the delivery of mobile pet grooming or related pet care services, or directly or indirectly delivers mobile pet grooming or related pet care services.
s. Modification of the agreement	9.2	No modifications except to Operations Guide. Revisions to the Guide will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	9.1	Only the terms in the Area Representative Agreement are binding (subject to federal or state law). Any representations or promises made outside the Disclosure Document and

Provision	Section In Area Representative Agreement	Summary
		Area Representative Agreement may not be enforceable. Nothing in any Area Representative Agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	8.2,8.3	You must first attempt to resolve Claims against us through mediation (subject to applicable state law). You must arbitrate claims against us.
v. Choice of forum	8.10	Venue and jurisdiction for any Claims will be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, VA (subject to applicable state law).
w. Choice of Law	8.9	Virginia law governs (subject to applicable state law).

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

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

### **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 this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Joe Dent, 780 Lynnhaven Pkwy, Ste. 240, Virginia Beach, VA 23452, (832) 660-6727, the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**Table No. 1**

**Systemwide Outlet Summary  
For Years 2022 to 2024**

<b>Outlet Type*</b>	<b>Year</b>	<b>Outlets at the Start of Year</b>	<b>Outlets at the End of Year</b>	<b>Net Change</b>
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	1	1
Company Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	1	1

\*The number of Outlets reported throughout this Item 20 represents the number of Salty Dawg Pet Salon Area Representative outlets. Salty Dawg Pet Salon unit franchise outlets are reported in a separate unit franchise disclosure document.

**Table No. 2**

**Transfers of Outlets From Franchisees to New Owners (Other than Franchisor)  
For Years 2022 to 2024**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All States	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

**Table No. 3**

**Status of Franchise Outlets  
For Years 2022 to 2024**

<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>
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Total	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
	2024	0	1	0	0	0	0	1

**Table No. 4  
Status of Company-Owned Outlets  
For Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-acquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
All States	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**Table No. 5  
Projected Openings as of  
December 31, 2024**

State	Area Representative Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Illinois	0	1	0
Maryland	0	1	0
New York	0	1	0
South Dakota	0	1	0
Virginia	0	1	0
Washington	0	1	0
Virginia	0	1	0
<b>TOTALS</b>	0	8	0

Exhibit E-1 contains a list of the names of all Area Representatives and the addresses and telephone numbers of their outlets as of the end of our last fiscal year.

Exhibit E-2 contains the name and last known address and telephone number of every Area Representative who has had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Area Representative 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.

There are no trademark-specific franchisee organizations associated with the Franchise System which are incorporated or otherwise organized under state law and have asked us to be included in our Disclosure Document during the next fiscal year.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our Franchise System.

## **ITEM 21. FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as **Exhibit F** are our audited financial statements as of December 31, 2024 and as of May 31, 2024.

Our fiscal year end is December 31.

We have not been in business for three years and therefore cannot provide three years of audited financials as required.

## **ITEM 22. CONTRACTS**

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

Exhibit B-Area Representative Agreement

Schedule 1-Territory

Schedule 2-Minimum Requirements

Schedule 3-Automatic Bank Draft Authorization

Schedule 4-Telephone Number Assignment

Schedule 5-Personal Guarantee

Schedule 5A-Promissory Note

Schedule 6-Release

Schedule 7-Area Representative Biographical Information

Schedule 8-State Addenda to the Area Representative Agreement

## **ITEM 23. RECEIPTS**

Exhibit H contains two copies of a Receipt of our Disclosure Document.

**EXHIBIT A**

**STATE ADDENDA TO THE DISCLOSURE DOCUMENT**

## **CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Area Representative Agreement.

The Area Representative Agreement and Supplemental Agreements require the application of the Franchisor's Choice of Law State, which is Texas. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in ITEM 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Area Representative Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Area Representative Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Area Representative Agreement contains, and if applicable, the Supplemental Agreements may contain, a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Area Representative Agreement or Supplemental Agreements may not be enforceable.

The Area Representative Agreement requires binding arbitration. The arbitration will occur at Virginia Beach, Virginia. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.05, Code of Civil Procedure Section 1281, and the Federal Arbitration Act to any provisions of a Area Representative Agreement restricting venue to a forum outside of the State of California.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment

Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Our website is located at <https://saltydawgpetsalon.com/>

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).

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a Area Representative Agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

ITEM 1 of the Franchise Disclosure Document is revised to include the following under Industry Specific Regulations:

Because you collect information from customers, it may contain personal information of individuals which is protected by law. You are also responsible for complying with all applicable current and future federal, state and local laws, regulations and requirements, including the California Consumer Privacy Act (as applicable), pertaining to the collection, protection, use, sale, disposal and maintenance of such personal information. Personal information includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local laws, regulations and requirements. You may also be required to comply with opt-in requirements on your website.

The highest interest rate allowed by law in California is 10% annually.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation or endorsement by the commissioner.**

Initial Fee Deferral:

ITEM 5 of the Franchise Disclosure Document is revised to add the following language:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

## **ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.w. is modified to provide that Illinois law applies.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in an Area Representative Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Area Representative Agreement may provide for arbitration to take place outside of Illinois.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Area Representative Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
4. The conditions under which your Area Representative Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### Initial Fee Deferral:

ITEM 5 of the Franchise Disclosure Document is amended by adding the following language:

Franchisor will defer payment of initial franchise fees and option fees until Franchisor has met its initial obligations to Franchisee, and the Franchisee has commenced business operations. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

## **MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. Item 17.u. is modified to also provide, “This Area Representative Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### Initial Fee Deferral:

Item 5 of the FDD is amended to include the following:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Area Representative Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

## **MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Any provision in the Area Representative Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Area Representative 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 Minnesota.
3. Minn. Rule Part 2860.4400J. prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Area Representative Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Area Representative Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Area Representative Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. ITEM 13 of the FDD is hereby amended to state that we will protect your rights under the Area Representative Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Area Representative Agreement and our Franchise System standards.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of

action accrues. To the extent that the Area Representative Agreement conflicts with Minnesota law, Minnesota law will prevail.

8. Initial Fee Deferral: Franchisor defers the collection of the Initial Fee until the opening of the franchised business. Item 5 and Item 7 are modified to provide: “The Minnesota Department of Commerce requires us to defer payment of the initial franchise fee owed by franchisees to the franchisor until the franchisee has opened the franchised business.”

**NEW YORK ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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 C 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 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 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 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.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

8. Special Risks to Consider About *This* Franchise

**Mandatory Minimum Payments.** You must make technology fee payments regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.

## **NORTH DAKOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

**Restrictive Covenants:** To the extent that covenants not to compete apply to periods after the term of the Area Representative Agreement, they are generally unenforceable under North Dakota law.

**Applicable Laws:** North Dakota law will govern the Area Representative Agreement.

**Jurisdiction and Venue:** The provisions concerning choice of law and jurisdiction and venue are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

**Waiver of Trial by Jury:** Any waiver of a trial by jury will not apply to North Dakota Franchises.

**Waiver of Exemplary & Punitive Damages:** Any waiver of punitive damages will not apply to North Dakota Franchisees.

**General Release:** Any requirement that the franchisee sign a general release upon renewal of the Area Representative Agreement does not apply to Area Representative Agreements covered under North Dakota law.

**Enforcement of Agreement:** Any requirement in the Area Representative Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 17(u) of the Disclosure Document is modified to provide that the site of mediation and arbitration shall be agreeable to all parties and may not be remote from the franchisee's place of business.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

North Dakota requires the Franchisor to defer collection of the Initial Fee until the Franchisor has completed all of their initial obligations owed to North Dakota Franchisees under the Franchise

Agreement or other documents and the Franchisee has commenced doing business pursuant to the Franchise Agreement.

**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

**VIRGINIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

**Additional Special Risks to Consider About *This Franchise*:**

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$132,350 to \$392,900. This amount exceeds the franchisor's shareholder's equity as of December 31, 2024, which is \$(230,448).

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Area Representative 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.

**Initial Fee Deferral:**

Item 5 of the Disclosure Document is modified to also provide: "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 Area Representative to the franchisor until the franchisor has completed its pre-opening obligations under the Area Representative Agreement."

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws**. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights**. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation**. 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.

4. **General Release**. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial**. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees**. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee**. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**Litigation History.** The litigation history of certain members of the management team may increase the risk of your investment. You may wish to further review this litigation history, whether or not it has been required to be disclosed in this FDD.

**Initial Fee Deferral:**

ITEM 5 of the Franchise Disclosure Document, Section 1.7 of the Area Representative Agreement, and Section 3 of the Multi-Unit Option Agreement are amended by adding the following language:

Franchisor will defer the collection of the initial Area Representative fee until the Franchisor has fulfilled its pre-opening obligations to the franchisee and the franchisee is open for business.

Franchisor has been required to supplement Item 3 in Washington in furtherance of the objectives of the Washington Franchise Investment Protection Act. Accordingly, Franchisor makes the following additional disclosures related to its litigation history:

Asbestos Workers’ Philadelphia Pension Fund, derivatively on behalf of Liberty Tax, Inc., v. John Hewitt. Defendant, and Liberty Tax, Inc., Nominal Defendant, (Case No. 2017-0883), Erie County Employees Retirement. System, on behalf of Liberty Tax, Inc. v. John T. Hewitt. Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, and

RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al, (Case No. 2:18-cv-00127-HCM-DEM).

Description of the allegations of misconduct: It was alleged that John Hewitt (“Hewitt”) maintained romantic relationships with company employees and franchisees and gave them preferential treatment.

John Hewitt’s post termination involvement: Hewitt was Chairman of the Board and CEO at liberty tax. Although he was terminated as CEO, Hewitt remained Chairman of the Board because he was the sole holder of the Class B common stock of Liberty. During a period of in-fighting, Hewitt replaced two of the directors of the board and another member resigned. The Chief Financial Officer also resigned. Ultimately, Hewitt reached an agreement to sell his ownership interest in Liberty and relinquish control of the Board. It was alleged that Hewitt continued to interact with franchisees and area representatives for Liberty during the transition. The Audit Committee of the Board of Directors of Liberty oversaw the investigation of the allegations and the report prepared by the Audit Committee was not provided to Hewitt.

Description of KPMG’s reasons for resigning as independent auditor: Liberty filed a Form 8-K on December 11, 2017 with the SEC to publicly disclose that KPMG’s resignation was accepted and approved by the Audit Committee of the Board of Directors of Liberty. The 8-K contains a description of the reasons provided by KPMG for his resignation. A copy of the 8-k is attached and incorporated into this Addendum by reference.

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event Reported): December 11, 2017 (December 8, 2017)

**LIBERTY TAX, INC.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation)

**001-35588**  
(Commission File Number)

**27-3561876**  
(I.R.S. Employer Identification Number)

**1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454**  
(Address of Principal Executive Offices) (Zip Code)

**(757) 493-8855**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company [  ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [  ]

**Item 4.01. Changes in Registrants Certifying Accountant.**

On December 8, 2017, KPMG LLP ("KPMG") resigned as the independent registered public accounting firm of Liberty Tax, Inc. (the "Company"), effective immediately, and KPMG's resignation was accepted and approved by the Audit Committee of the Board of Directors of the Company (the "Board"). The Company is currently in the process of finding a successor independent registered public accounting firm in the hope that the Company's financial statements for the second quarter ended October 31, 2017 can be completed with as little delay as possible.

KPMG's reports on the Company's financial statements for the fiscal years ended April 30, 2017 and April 30, 2016 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. In addition, there were no disagreements between the Company and KPMG on accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of KPMG, would have caused them to make reference to the disagreement in their reports for such periods, or any subsequent interim period preceding KPMG's resignation. The Company will authorize KPMG to respond fully to the inquiries of the successor independent registered public accounting firm, which has yet to be selected.

KPMG expressed to the Audit Committee and Company management its concern that the actions of former Chief Executive Officer John T. Hewitt, who remains the Chairman of the Board and controlling stockholder as the sole holder of the Company's outstanding Class B common stock, have created an inappropriate tone at the top which leads to ineffective entity level controls over the organization. Prior to the termination of Mr. Hewitt's employment as Chief Executive Officer of the Company on September 5, 2017, the Audit Committee oversaw an investigation of allegations of misconduct by Mr. Hewitt. In particular, KPMG noted that Mr. Hewitt took actions to replace two independent members of the Board around the time information relating to this investigation appeared in media reports. KPMG also noted that following the replacement by Mr. Hewitt of two Class B directors, the chair of the Audit Committee retired from the Board, the Company's Chief Financial Officer announced her intention to resign from the Company, and another independent member of the Board announced that he would not stand for reelection at the Company's next annual meeting. Further, KPMG was made aware that following his termination as Chief Executive Officer, Mr. Hewitt may have continued to interact with franchisees and area developers of the Company. Although Mr. Hewitt stated to KPMG during a meeting on November 9, 2017 that he would not reinsert himself into the management of the Company, in light of Mr. Hewitt's actions and his ability to control the Board as the sole holder of the Class B common stock, KPMG informed the Audit Committee and management that it has concerns regarding the Company's internal control over financial reporting as related to integrity and tone at the top and such matters should be evaluated as potential material weaknesses.

Specifically, KPMG informed the Audit Committee and management that Mr. Hewitt's past and continued involvement in the Company's business and operations, including his continued interactions with franchisees and area developers of the Company, has led it to no longer be able to rely on management's representations, and therefore has caused KPMG to be unwilling to be associated with the Company's consolidated financial statements. In notifying the Company of its resignation, KPMG advised the Audit Committee and management that it is not aware of any information that cause it to question the integrity of current management, but rather that the structural arrangement by which Mr. Hewitt controls the Company is the cause of KPMG's concerns. KPMG also noted that because certain information known to the Board regarding the reasons that the Board terminated Mr. Hewitt as Chief Executive Officer had not been disclosed to the current Chief Executive Officer and Chief Financial Officer, KPMG was uncertain as to whether it could continue to rely on management's representations.

The Company has provided KPMG with a copy of the disclosures required by Item 304(a) of Regulation S-K contained in this Current Report on Form 8-K, and has requested that KPMG furnish the Company with a letter addressed to the Securities and Exchange Commission (the "SEC") stating whether it agrees with the statements made by the Company in this Current Report on Form 8-K and, if not, stating the respects in which it does not agree. A copy of KPMG's letter, dated December 11, 2017, confirming KPMG's agreement with these statements is filed as Exhibit 16.1 to this Current Report on Form 8-K.

**Item 8.01. Other Events.**

On December 11, 2017, the Company issued a press release announcing the resignation of KPMG as the Company's independent registered public accounting firm and that the Company will delay the filing of its Quarterly Report on Form 10-Q for the quarter ended October 31, 2017. A copy of the press release is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

**Forward Looking Statements**

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which provides a "safe harbor" for such statements in certain circumstances. The forward-looking statements include statements or expectations regarding potential impacts of KPMG's resignation, ability and timing to complete the accounting review and audits,

comprehensiveness of the Company's accounting review and ability to engage an independent accounting firm and related matters.

These statements are based upon current expectations, estimates, projections, beliefs and assumptions of Company management, and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties and speak only as of the date on which they are made, actual events or results could differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to loss of key personnel or inability to engage accounting personnel as needed; inability to address the previously disclosed accounting matters; identification of additional material weaknesses or significant deficiencies; disagreements or additional reportable events that KPMG may identify in a letter addressed to the SEC pursuant to Item 304 of Regulation S-K; failure to engage an independent accounting firm, complete the audits and re-audits and file any required restatements and periodic reports; adverse effects resulting from the Company's common stock being delisted from the Nasdaq Stock Market LLC; risks relating to the substantial costs and diversion of personnel's attention and resources due to these matters and related litigation and other factors discussed in greater detail in the Company's filings with the SEC. You are cautioned not to place undue reliance on such statements and to consult the Company's most recent Annual Report on Form 10-K and other SEC filings for additional risks and uncertainties that may apply to the Company's business and the ownership of the Company's securities. The Company's forward-looking statements are presented as of the date made, and the Company does not undertake any duty to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

#### **Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">16.1</a>	<a href="#">Letter from KPMG LLP dated December 11, 2017.</a>
<a href="#">99.1</a>	<a href="#">Press Release dated December 11, 2017.</a>

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**LIBERTY TAX, INC.**

Date: December 11, 2017

By: /s/ Vanessa Szajnoga  
Vanessa Szajnoga  
Vice President and General Counsel

**WISCONSIN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide:

If the Area Representative Agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, Area Representative Agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

**EXHIBIT B- AREA REPRESENTATIVE AGREEMENT**

## AREA REPRESENTATIVE AGREEMENT



### SUMMARY PAGE

1. **Area Representative Business Entity** \_\_\_\_\_
2. **Initial Area Representative Fee** \$ \_\_\_\_\_
3. **Territory Name** \_\_\_\_\_
4. **Opening Deadline** \_\_\_\_\_
5. **Principal Executive** \_\_\_\_\_
6. **Franchisee's Address** \_\_\_\_\_
7. **Outlet #** \_\_\_\_\_

## AREA REPRESENTATIVE

This contract (“Agreement”) is between Purely Pet LLC (“Salty Dawg Pet Salon”, “we”, “us”, or “our”) and entity and all Signators identified on the signature page, in your personal capacity, (collectively “Area Representative”, “you”, or “your”).

## RECITALS

WHEREAS, Salty Dawg Pet Salon has developed and owns the rights to a system using certain trademarks, including the “Salty Dawg Pet Salon” registered mark and related trade names and trademarks (“Marks”), for the establishment and operation of facilities that provide (A) at present, high-end pet grooming services and pet retail products to pet owners and (B) in the future, may include providing training to groomers and offering groomer certifications (each a “Unit Franchised Business”).

WHEREAS, each Unit Franchised Business is operated under Salty Dawg Pet Salon’s unique and distinctive system (“Franchise System”), which includes, without limitation, Salty Dawg Pet Salon’s valuable know-how, information, trade secrets, training methods, operations manuals, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of Franchised Businesses.

WHEREAS, Salty Dawg Pet Salon has also developed a system for area representatives (the “AR System”) to market and provide franchise sales, franchise development, franchise marketing, and franchisee training and support services on behalf of Salty Dawg Pet Salon and in accordance with the Franchise System (collectively, the “AR Services”) to each Unit Franchised Business to be potentially sold and operated with a certain limited geographic area.

WHEREAS, Area Representative has requested the non-exclusive license and right to offer and provide AR Services within the geographic area defined in this Agreement (the “Area Representative Territory” or “Territory”) and to provide, on behalf of Salty Dawg Pet Salon and in accordance with the terms of this Agreement, AR Services within the boundaries of the Area Representative Territory (the “AR Business”).

NOW, THEREFORE, for mutual promises expressed in this Agreement, along with other valuable consideration, the receipt of which is acknowledged, Salty Dawg Pet Salon and Area Representative (collectively “the Parties”) will be bound as follows:

### **1. Scope**

#### **1.1. Recitals**

The Recitals are hereby incorporated and made part of this Agreement.

#### **1.2. Grant of Franchise**

Salty Dawg Pet Salon grants Area Representative, subject to the terms and conditions of this Agreement, the non-exclusive right, license, and obligation to develop and operate an AR Business providing AR Services within the Area Representative Territory set forth and defined in Schedule 1 to this Agreement.

### **1.3. Term and Renewal**

#### **A. Term.**

This Agreement will commence upon its Effective Date and will last for a term of ten (10) years (the “Term”).

#### **B. Renewal.**

Upon the completion of the Term, if you are in compliance with all material terms and conditions in this Agreement, then you may enter into a new agreement, on the then-current form, for an additional ten-year term. We will not make material changes to your agreement including your Territory or the Area Representative Commissions in your renewals. If you wish to renew this Agreement, you must:

- a. notify us in writing at least one hundred twenty (120) days before the expiration of this Agreement, and
- b. execute a general release of all claims you may have against in our then current form.

#### **C. Subsequent Renewals**

You may renew future Area Representative Agreements if you are in compliance with its terms and qualify for renewal.

### **1.4. Area Representative Territory**

Schedule 1 sets forth and identifies the Area Representative Territory by zip code, boundary streets, highways, county lines, designated market area, and/or other recognizable boundaries (the “AR Boundaries”). Schedule 1 further sets forth and identifies the territory for each Unit Franchised Business (each a “Unit Franchise Territory”) to be potentially developed and operated within the Area Representative Territory by zip code, boundary streets, highways, county lines, designated market area, and/or other recognizable boundaries.

### **1.5. Optional Unit Franchise**

This Agreement conveys no right to operate a Unit Franchised Business within the Area Representative Territory (an “AR Owned Unit Franchise”) and grants no right of first refusal or any similar right to acquire an AR Owned Unit Franchise within the Area Representative Territory. Further, Area Representative is not required to establish or operate an AR Owned Unit Franchise. If Area Representative elects to establish and operate AR Owned Unit Franchises and Franchisor elects to approve AR Owned Unit Franchises, each AR Owned Unit Franchise will be established, developed, and operated pursuant to the terms and conditions of a Unit Franchise Agreement specific to Unit Franchises, which will be separately disclosed and executed.

### **1.6. Office Location**

You may work out of your home or any office location. You are not required to obtain our approval if you relocate your AR Business, but you must notify us in writing.

### **1.7. Additional Territories**

We may grant to you approval to open additional outlets within your Territory if circumstances permit such as the population increases. We may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open

and operate more outlets. You do not have rights of first refusal or similar rights to acquire additional territories.

**1.8. Minimum Requirements**

**A. Development Requirements.**

You will provide us with a minimum number of qualified prospects (each a “Candidate”) each year that purchase and operate a Unit Franchised Business in the Territory. The Territory must be developed by you at the rate set forth in Schedule 2 (the “Minimum Requirements”), which you acknowledge is a reasonable development schedule given the characteristics of the Area Representative Territory. A year will include each fiscal year (including any partial year) ending on December 31.

**B. Failure to Meet Minimum Requirements.**

If you do not meet the Minimum Requirements, then you may lose area representative rights over certain undeveloped portions of the Area Representative Territory, representing the deficiency of your development efforts. If you do not meet the Minimum Requirements in any given year, then we may within ninety (90) days after the end of such year, notify you that we desire to delete certain Unit Franchise Territories from the Area Representative Territory up to the number of Unit Franchise Territories by which you failed to meet the Minimum Requirement for that year. The notice will designate which of the Unit Franchise Territories we desire to delete from the Area Representative Territory, and we shall have the sole discretion to determine which then unassigned (meaning unsold) Unit Franchise Territories we choose to delete. Those Unit Franchise Territories will be deemed deleted from the Area Representative Territory effective upon Salty Dawg Pet Salon’s notice, and all rights otherwise conveyed by this Agreement in such territories will be fully extinguished. Thereafter, you will not be entitled to any share of any Franchise Fees or Royalties upon the sale or operation of a Franchised Business in such location. This deletion is Salty Dawg Pet Salon’s sole remedy for your failure to meet the Minimum Requirements during the Term so long as you are in compliance with the other terms and conditions of this Agreement.

**C. Duty.**

On the event of deletion of a portion of your Area Representative Territory you will still maintain your obligations and rights in the remaining portions of your Area Representative Territory. However, we may freely sell and develop the deleted portions of the Area Representative Territory without sharing any of the Initial Franchise Fees or Royalties with you.

**D. Exclusive Remedy.**

There are no other circumstances that permit us to modify your Territorial Rights, except in the event of Termination or Expiration of this Agreement.

**1.9. Dual Distribution**

No other party will have Salty Dawg Pet Salon area representative rights or otherwise receive area representative compensation from Salty Dawg Pet Salon in your Territory; however, the Territory you receive is not exclusive. You may face competition from other franchisees, outlets that we own, other channels of distribution or competitive brands that we control. We or an affiliate may make sales within your Territory using our principal trademarks, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales. We or an affiliate may make sales within your Territory using trademarks different from the

ones you will use under this Agreement. For example, our affiliate Zoomin Groomin USA LLC d/b/a Zoomin Groomin® and their franchisees offer mobile pet grooming services and related products under the Zoomin Groomin® trademarks. Zoomin Groomin also offers area representative rights similar to this Agreement. Additional competitive brands may be acquired or developed by us, our parent, or our affiliates in the future. These brands may operate and offer competitive products or services regardless of their proximity to your Territory or the Unit Franchised Businesses within your Territory.

**1.10. Advertising and Trademarks**

A. Use of our Marks.

We allow and require you to use our trademarks and service marks (“Marks”) to hold out your AR Business to the public. You will use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Guides. Further, you must either use any advertising templates we may make available, or if you wish to use your own material, submit it to us for written approval prior to its use. We will approve or disapprove of the material within 30 days of receiving the material.

B. Business cards.

You may purchase business cards to use in the operation of your Area Representative Territory in accordance with our specifications.

C. Social Media.

Any social media used to promote the Area Representative Territory must be in accord with our specifications.

D. Private Websites.

You are not allowed to have an independent website or obtain or use any domain name (Internet address) in connection with the provision of Services under this Agreement or to facilitate any efforts to find, solicit, and recruit Candidates.

E. Marks Within a Company Name.

You may not use the words “Salty Dawg Pet Salon” or any confusingly similar words as any part of the name of a corporation, LLC or other entity.

F. No Confusingly Similar Marks.

You will avoid using any Marks that could be confused with our Marks.

G. Changes to the Marks

We may update or change our Marks. We may replace, modify, or add to our Marks. If we replace, modify, or add additional Marks, you will update or replace your supplies, etc. to reflect the new Marks, at your expense, in the time frame we provide at the time of such an update.

H. Infringement Claims.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us.

I. Control of Proceedings.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

J. Publicity.

Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

K. Name and Likeness.

You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

**1.11. Reservation of Rights**

Your right to operate a Franchised Business in the Territory are subject to certain rights reserved by us. We, our parent, and our affiliates reserve all rights not expressly granted in this Agreement. For example, we, our parent, and our affiliates have the right to:

- (a) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks (or another trademark) without any compensation to you;
- (b) to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Territory, yet work in another, and other cross-territorial situations;
- (c) to establish and operate, and grant rights to others to establish and operate a Franchised Businesses or similar businesses at any locations outside of the Territory and on any terms and conditions we deem appropriate;
- (d) to own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with another businesses (competitive or not), which may offer products and services like your Franchised Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Area Representative Agreement;
- (e) to operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;
- (f) to negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,
- (g) to engage in any other business activities not expressly prohibited by the Area Representative Agreement, anywhere.

## 2. Fees.

### 2.1. Paid by Salty Dawg Pet Salon to you (“Commissions”)

We pay to you the following Commissions for your Services under this Agreement:

#### A. Initial Fee Commission.

You will receive an Initial Fee Commission equal to 50% of the Net Initial Franchise Fee. The Net Initial Franchise Fee is calculated by taking the initial franchise fee paid by a Unit Franchisee (“Initial Franchise Fee”) within your Area Representative Territory and then deducting any brokerage, referral, or other fees that are imposed, paid, or owed by us in connection with the transaction.

For example, if a \$49,500 Initial Fee is paid to us by a Unit Franchisee and the Unit Franchisee was introduced to you or us by a broker with a \$20,000 referral fee, the Net Initial Franchise Fee would be \$29,500, and you would receive \$14,750 (50% of the \$29,500 Net Initial Franchise Fee). Certain other fees as set forth in Section 2.2 of this Agreement are incurred solely by you and are not accounted for when calculating the Net Initial Franchise Fee. For example, if you used the Internal Sales Team provided by us, our parents, or an affiliate on the same deal, you would only receive \$5,000, because the Internal Sales Fee is solely incurred by you (\$10,000 minus the \$5,000 Internal Sales Fee). Further, we set pricing for our Initial Franchise Fee and may run promotions or offer concessions on a case-by-case basis. For example, if we waived the Initial Franchise Fee then you would not receive any Initial Fee Commission.

#### B. Franchise Royalties

We will pay you an amount equal to 50% of all ongoing royalties (the “Franchise Royalty”) received by us, if any, during the Term, from any Salty Dawg Pet Salon Unit Franchised Business purchased and operated within your Area Representative Territory.

#### C. Exclusions.

We may, in our discretion, require a Unit Franchised Business to pay fees for other services, including, but not limited to, advertising fees, technology fees, CRM fees, transfer fees, penalty fees, and renewal fees. No funds we receive are split with you except as expressly provided in Section 2.1.A. and 2.1.B. of this Agreement.

#### D. Pay When Paid

Fees paid to you will be paid only as funds are received. For example, in the case of a financed Initial Franchise Fee, the distribution would only be after the funds were actually received by us. You will be entitled to your share of the Initial Franchise Fees and royalties only with respect to amounts actually collected during the Term, and we will be entitled to take credits against previous payments to you to the extent that any payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of your Commissions will be accompanied by information in sufficient detail to allow you to determine the basis on which your share of the Initial Franchise Fees and Franchise Royalties was calculated as well as deductions made for monies owed to us.

#### E. Payment Terms.

We calculate all Commissions due to you by the last day of each month as to Commissions earned the prior month, and then we remit payment to you by the 15<sup>th</sup> day of that month, less any amounts

you owe to us, via electronic transfer or other method that we designate. For example, if Commissions are earned for the period of January 1 through January 31, then you will be paid any funds due on or before February 15.

## **2.2. Paid by You**

### **A. Initial Area Representative Fee.**

Upon execution of this Agreement, you will pay us a Franchise Fee of \$\_\_\_\_\_ (the "Initial Area Representative Fee"). The Initial Area Representative Fee is fully earned and nonrefundable once we have completed our obligation to provide initial training.

### **B. Fee for Franchisee Leads.**

From time to time, we may provide to you leads of potential Candidates interested in buying one or more of Unit Franchised Businesses within your Territory. If we provide you leads, we will set and publish fees based upon the cost and the difficulty of acquiring the leads. You are under no obligation to purchase these leads. We will offer to you, without cost, any lead in your Territory provided by a Franchise Broker; however, a Broker Fee may apply if the Candidate converts to a Unit Franchisee.

### **C. Internal Sales Fee.**

If a staff or a designated agent of ours, our parent Loyalty, LLC, or any affiliate of ours (our "Internal Sales Team") assists you with the selling process for a Unit Franchisee who buys a unit within your Territory, you will pay us \$5,000 per unit sold (the "Internal Sales Fee"). If that Unit Franchisee purchases multiple units, then the Internal Sales Fee will be 5,000 for each unit sold in your Territory. Assistance may come in various degrees, but will typically involve assistance in generating leads, developing leads, or closing qualified leads during the sales process. For example, you will always pay the Internal Sales Fee if we or our Internal Sales Team generate the lead or communicate directly with the lead prior to execution of a Unit Franchise Agreement. This fee is paid by you and is not a shared expense.

### **D. Brokers and Agents**

We may use the services of franchise brokers or other referral sources to identify Candidates who are potentially interested in becoming Franchisees. If a franchise broker generates a Candidate who purchases a Unit Franchised Business in your Territory, you will pay a proportionate share (50%) of their fee (each a "Broker Fee"). Any Broker Fee will be deducted from any amount paid to you.

### **E. Renewal Fee.**

You are not required to pay a Renewal Fee to enter into a further Area Representative Agreement with us at the expiration of the Term of this Agreement.

### **F. Transfer Fee.**

You must pay us a \$10,000 Transfer Fee if you wish to transfer ownership, or a majority of ownership interest, of your rights as an Area Representative.

### **G. Third Party Charges.**

If we incur third party charges on your behalf, you will reimburse us for any such charges.

H. Technology Fee.

We have established the technology fee for maintenance of Franchisor's systems, website, and e-mail. You must pay the Technology Fee, currently \$125 per month, which will be due and payable on a monthly basis. We reserve the right to increase the Technology Fee by giving you thirty (30) days' notice. The Technology Fee is non-refundable for any reason once paid.

I. Sales, Excise, or Gross Receipts Tax.

You must reimburse us if we pay any tax on any fee related to this Agreement.

J. Payment Terms.

We will bill you by the 15th of the month for amounts incurred in the prior month.

K. Monthly Reconciliation

We reserve the right to deduct monies that you owe to us from Commissions that we pay to you and pay you the net amount owed to you or charge you any net amount you may owe to us. You will execute an Automatic Bank Draft Authorization and that we may withdraw fees and other monies you owe to us pursuant to the Authorization from your bank account, and also electronically deposit monies owed to you in the same bank account.

L. Late Fees.

Overdue amounts owed by you are subject to a service charge of 1% per month on the unpaid balance, or if lower, then the maximum rate allowed by law.

M. Demand for Payment.

Except upon our prior written consent, you will not demand any payment due from a Franchisee of ours or any other person or entity to us.

**3. Duties of Area Representative**

**3.1. Involvement.**

You must render the AR Services personally unless you submit to us a General Manager who attends and successfully completes our Initial Area Representative Training course, and who is not later disapproved by us.

**3.2. Sales**

A. Candidate.

You will use best efforts to recruit and qualify individuals ("Candidates") interested in operating a Unit Franchised Business within the Area Representative Territory at your own expense. Upon your determination that an individual or business entity may have the characteristics of a potential franchisee of ours, then you will identify such Candidate to us in writing so that we can provide proper disclosures to the candidate and obtain sufficient information to determine if the Candidate is qualified to operate a Unit Franchised Business. You have no authorization or management authority over the sale of any Unit Franchise.

B. Minimum Requirements

As described in more detail in Section 1.8.A. entitled Minimum Requirements, you must achieve a certain sales volume, namely, Minimum Requirements specified in Schedule 2.

C. Franchise Sales Representations.

a. **Disclosure.**

A Unit Franchised Business can only be offered by disclosure of our then-current unit franchise disclosure document (the “Unit FDD”). We will take commercially reasonable efforts to issue and maintain the Unit FDD and to obtain any required state permission. We will disclose the Unit FDD to Candidates, but you will be responsible for ensuring each Candidate has been provided with a then-current Unit FDD at the time required by law. As of the Effective Date, the Unit FDD must be provided at least fourteen (14) calendar days before the Candidate signs a binding agreement with us or makes any payment to us in all states. Some states also require us to obtain formal approval before offering or selling franchises in their state. In the event you make any electronic or other disclosure to Candidates, you will ensure that such disclosure complies with the applicable franchise disclosure laws. Furthermore, you will comply with all federal and state franchise disclosure laws applicable to the solicitation of franchisees.

b. **Financial Performance Representations.**

Except as may be expressly stated in Item 19 of our most current unit Franchise Disclosure Document in effect in your Territory, you will not make any representation, either orally, in writing, electronically, or otherwise, to any prospective Candidate concerning actual or potential earnings, sales, income or profits of any Franchise. However, you may disclose financial performance of an existing franchise for sale to a Candidate interested in such Unit Franchise as may be permitted by law and pursuant to our Guide.

c. **Improper Representations.**

Under federal and state franchise laws, no statement, claim, promise, or representation may be made to any prospective franchisee which is either unsupported by the franchisor's disclosure document or inconsistent with the disclosure document. Therefore, you will make no representations to any Candidate that conflicts with our current Area Representative Disclosure Document or Unit Disclosure Document. Likewise, you will comply with all state franchise advertising laws and will not use words like “success” or “profits” in any materials or when speaking to Candidates or make any insinuation whatsoever that (i) the Unit Franchise is a safe investment, (ii) that failure, loss, or default is unlikely, or (iii) that any level of earnings or profits are assured.

d. **Laws and Regulations.**

The term advertising in the franchise sales context, as opposed to consumer advertising, is defined very broadly under federal and state franchise laws, and it includes virtually any communications if the purpose is to influence anyone to acquire a franchise. You will become acquainted with and strictly comply with all federal, state, and local laws, and regulations. You will also secure all necessary permits, certificates, and licenses to operate your business. In the event your state requires the registration of franchise advertising, you will ensure any print or written materials have been approved by us and properly registered before they are used by you.

e. **Biographical Information**

You will accurately complete and return in the time frame we specify such Biographical Information forms as we request of you.

### ***3.3.Support.***

As an Area Representative, as to your Area Representative Territory and Unit Franchised Businesses located within your Area Representative Territory, you will have the following on-going responsibilities, all subject to our then-current standards, specifications, and requirements:

- i to provide on-going operational support and training support to franchisees in accordance with our Franchise System;
- ii to provide marketing assistance in accordance with our Franchise System;
- iii to conduct recurring performance and quality control assessments in accordance with our Franchise System; and
- iv to monitor and maintain franchisee relations in accordance with our Franchise System.

### ***3.4.Limitations of Authority***

#### **A. No Authority to Approve Marketing.**

You do not have any authority to approve or disapprove any franchisee or Area Developer marketing or advertising.

#### **B. No Authority to Modify Guide.**

You do not have authority to modify or grant waivers to the Franchise System or to the Operations Guide for any Unit Franchised Business.

#### **C. No Legal Claims versus Unit Franchisees.**

You will not assert any legal claim against a Unit Franchised Business or its owners to enforce any right arising out of or related to any agreement between the Unit Franchised Business and us, without our prior express written permission.

#### **D. Limitation of Services.**

You may only offer those services or products through your Area Representative Territory as authorized by us in this Agreement or the Guides. You have no management authority over our Unit Franchises.

#### **E. Independent Contractors.**

Your relationship with us is that of an independent contractor. This Agreement does not create a partnership, joint venture, or any other entity between the Parties. Neither Party has a fiduciary duty or other special duty respect to the other Party. You are not a third-party beneficiary to any contract between us and any other franchisee.

#### **F. No Unauthorized Commitments.**

Similarly, you will not make any promises, guarantees or warranties to any third party, including any Candidate or franchisee, that would create a binding obligation for us without our prior written consent.

### ***3.5. Operations***

#### **A. Initial Training.**

You and any General Manager working for you must attend and successfully complete our Initial Area Representative Training and before you may operate the Area Representative Territory. We do not charge for Initial Training, but you must pay for any travel and living expenses to attend.

#### **B. Advanced Training.**

You will attend any advanced or refresher training that we may require either through electronic means or in person.

#### **C. Computer Systems, Equipment and Supplies.**

You will purchase and maintain such computer systems, software, equipment, and supplies as we designate in our Guide.

#### **D. Starting Date.**

You will be operational within 30 days of the Effective Date of this Agreement. If you are not, more time will be given, but you remain subject to Minimum Requirements (Section 1.8 and Schedule 2).

#### **E. Area Representative Guide.**

You must operate the Area Representative Territory according to the then-current Guide. We may modify the Guide to adjust for competitive changes, technological advancements, legal requirements, and continuous improvement.

#### **F. Advertising Materials.**

You may use your own advertising materials provided that you submit them to us, and we approve them in writing, and they adhere to federal, state, and local law.

#### **G. Insurance.**

You must purchase any insurance that we may specify and as is required by your state law, name us as an additional insured, and furnish proof of insurance to us.

### ***3.6. Reports and Reviews***

#### **A. Reports.**

You will file with us reports detailing your activities, sales, and other information at such times and in such form as we may specify in the Guide or otherwise.

#### **B. Independent Access to Information.**

You will allow us to have independent access to the information that will be generated or stored in your computer system arising out of or related to the Area Representative Territory which includes prospect, financial, and operational information.

#### **C. Reviews.**

We reserve the right to review your business operations, in person, by mail, or electronically.

D. Timely Access to Records

If we request a copy of any business records related to the Area Representative Territory, then you must send us or grant electronic access, at your expense, these records within five (5) business days of receiving our request.

E. Corrective Action Plan

We also have the right to require that you implement a corrective action plan to resolve issues that we discern from any review we conduct.

**3.7. Indemnity**

You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the AR Business and for all claims or demands for damage directly or indirectly related. You will indemnify, defend, and hold us and our affiliates, officers, directors, members, partners, employees, and agents (the “Indemnified Parties”) harmless from and against any damage, cost, or attorney fees that relates to or arises from your breach or alleged breach of any of your duties under this Agreement or operation of the AR Business.

The obligations in this Section are effective during the Term and extend to any post termination obligation.

**3.8. Enforcement**

A. Compliance with the Franchise System

During the Term, you will assist us in monitoring and enforcing all contracts (“Franchise Documents”) related to awarding a franchise to a Candidate to ensure Unit Franchise performance and adherence to our Franchise System.

B. Post Termination.

Upon termination or expiration of a Unit Franchise in the Territory, you will assist us in enforcing any “Post Termination Obligations” as set forth in the Unit Franchise Agreement with that former franchisee.

C. Exclusions

However, you will have neither a duty nor the right to initiate a legal proceeding against a Unit Franchisee to enforce. See Section 3.4.C entitled No Legal Claims versus Unit Franchisees.

**4. Duties of Franchisor**

**4.1. Initial Training.**

We will provide you a three (3) day Initial Training course. The Initial Training course will cover fundamental skills necessary to perform the Services. We presently offer this training live in Virginia Beach, VA, but may offer it in other locations, or via interactive video conference or webinar, at our choosing. Successful completion of the Initial Training at least one-week prior to operating the Franchised Business is mandatory. We do not charge for training, but you must pay any travel, transportation, lodging, and meal costs you incur to attend.

#### ***4.2. Advanced Training.***

We may provide you advance training on various topics. We presently offer this training live in Virginia Beach, VA, but may offer it in other locations, or via interactive video conference or webinar, at our choosing. Attendance at advanced training is required.

#### ***4.3. Site selection.***

You may operate from your home or any office location. We do not offer site selection assistance.

#### ***4.4. Area Representative Operations Guide.***

We will provide you a Guide to offer guidance in performing your development and support services.

#### ***4.5. Operational Support.***

We provide support to you in the operation of your Area Representative Territory.

#### ***4.6. Franchise Disclosure Document.***

We will provide or make available to you an electronic copy of our latest Unit Franchise Disclosure Document to use as part of your Development Services.

#### ***4.7. Computer Systems, Equipment and Supplies.***

We may issue computer, software, equipment, and supply specifications.

#### ***4.8. Advertising and Marketing.***

**4.9.** We offer marketing assistance and support. We may provide you with advertising templates to use. We may conduct marketing using electronic or print advertising of any kind. We will approve or disapprove of advertising you submit to us to review within 30 days from the date we received the material. ***Corporate Website.***

We will develop and maintain a comprehensive website that contains your location's contact information.

#### ***4.10. Digital Marketing.***

We may create, operate and promote websites, social media accounts (including, but not limited to, Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, Marks and franchise opportunities.

We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business.

#### ***4.11. Digital Campaigns.***

We may negotiate contracts with vendors such as Google AdWords.

If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor.

#### **4.12. Intellectual Property**

##### **A. Ownership.**

We exclusively own the Franchise System and any related copyright, trademark, service Mark, trade secret, patent right or other intellectual property (collectively “Intellectual Property”). You will not undertake to obtain Intellectual Property with respect to the Franchise System. To the extent you have gained or later obtain any Intellectual Property in the Franchise System, by operation of law or otherwise, you will disclaim such Intellectual Property and will promptly assign and transfer it entirely and exclusively to us.

##### **B. Suggestions.**

We may incorporate into our Franchise System any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else. We will have sole and exclusive rights and title to such suggestions.

### **5. Confidentiality**

#### **5.1. Definition.**

The term “Confidential Information” is defined as non-public sensitive or proprietary material disclosed by us or our agent to you. The disclosure may be oral or written in any form including tangible, intangible and electronic media regardless whether it is marked. For the avoidance of doubt, Confidential Information includes a customer lists and reports from our Franchise System along with any notes, summaries or other derivative works. Confidential Information does not include material that: a) you possessed more than thirty (30) days before the Effective Date of any contract between us, b) independently developed, c) obtained from a third party with no corresponding obligation of confidentiality, or d) in the public domain.

#### **5.2. Confidentiality.**

You will not directly or indirectly disclose, publish, share with any third party any Confidential Information without our prior written consent. You may share Confidential Information with your employees or agents that need it to complete essential job functions if they are covered by equivalent restrictions.

#### **5.3. Use**

You may only use Confidential Information to perform your obligations under this Agreement. You will avoid using Confidential Information for your own benefit and to our detriment. For the avoidance of doubt, Confidential Information cannot be used in a competing business that is detrimental to us.

#### **5.4. Storage**

You will store Confidential Information in secure location whether physically or electronically. You must notify us if the Confidential Information is lost or stolen, regardless of fault.

#### **5.5. Return**

Upon Termination or Expiration of this Agreement, you must return Confidential Information within ten (10) days or certify that the Confidential Information has otherwise been deleted or destroyed.

However, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

## **6. Transfer**

### **6.1. Assignment by Us.**

We may assign this Agreement to an assignee who remains bound by its terms. We do not permit a sub-license of the Agreement.

### **6.2. Transfer by You.**

You may transfer your interest in this Agreement or your ownership in the Area Representative Territory if:

- a. you are in full compliance with the Agreement,
- b. current in all monies owed to us,
- c. we approve of the individual or entity to which you are transferring (“Transferee”), which our consent will not be unreasonably withheld;
- d. transferee meets the requirements of Section 6.8.

### **6.3. Joint Tenancy**

If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability.

### **6.4. Transfer to Controlled Entity.**

A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a "Controlled Entity" will not trigger the Right of First Refusal. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. Each such person of the Controlled Entity must sign the then-current amendment and release forms or Area Representative Agreement as required by us. We do not charge a transfer fee for this change.

### **6.5. Transfer within an Entity.**

A transfer of interest within an Area Representative entity will not trigger the Right of First Refusal if only the percentage ownership changes rather than the identity of the owners. At the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity will sign the then-current amendment and release forms or Area Representative Agreement as required by us. We do not charge a transfer fee for this change.

## **6.6. Right of First Refusal.**

### **A. Third-Party Offer**

If you receive and desire to accept a signed, bona fide offer to purchase or otherwise transfer this Agreement or any interest in it ("Third-Party Offer"), you will grant us the option (the "Right of First Refusal") to purchase the Area Representative Territory as provided in this Section.

### **B. Notice**

Within fourteen (14) days of receipt of Third-Party Offer, you will offer the Right of First Refusal to us by notice in writing including a copy of the signed Third-Party Offer.

### **C. Option**

We will have the right to purchase the Area Representative Territory or interest in the Area Representative Territory for the price and upon the terms in the Third-Party Offer. However, we may substitute cash for any non-cash form of payment proposed and we will have sixty (60) days after the exercise of our Right of First Refusal to close the said purchase.

### **D. Acceptance**

If we exercise our Right of First Refusal, then we will notify you in writing within fifteen (15) days from our receipt of the Third-Party Offer from you.

### **E. Binding**

Upon the giving of such notice by us, there will immediately arise between us and you, or your owners, a binding contract of purchase and sale at the price and upon the terms contained in the Third-Party Offer.

If we do not exercise our Rights of First Refusal within fifteen (15) days, then you may transfer the Area Representative Territory or ownership interest according to the Third-Party Offer, provided that you:

- a. satisfy the conditions in Section 6.2 entitled Transfer by You; and
- b. complete the sale within one hundred twenty (120) days from the day on which you received the Third-Party Offer.

If you do not conclude the proposed sale transaction within the 120-day period, the Right of First Refusal granted to us will continue in full force and effect.

## **6.7. Death or Incapacity**

### **A. Definition**

The term "incapacity" means a condition that prevents you from reasonably carrying out your duties under this Agreement for thirty (30) consecutive days.

### **B. Transfer**

We may terminate this Agreement unless, within sixty (60) days of your death or incapacity, your executor, personal representative or guardian:

- a. seeks a transfer of your rights under this Agreement;
- b. completes the transfer within six (6) months of your death or incapacity;

- c. pays all monies owed to us, including the transfer fee, and
- d. signs the then current transfer and release form

C. New Area Representative

The Transferee(s) must:

- a. meet the requirements of Section 6.8.
- b. complete Initial Training, and
- c. enter into a new Area Representative Agreement on the then-current form.

D. Interim Services

We are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination.

**6.8. Transferee Requirements.**

Any proposed Transferee(s) must:

- a. complete our then-current Area Representative application;
- b. pass our application screening using our then-current qualifications;
- c. attend and successfully complete Initial Training; and
- d. sign either, at our option:
  - i an assignment of the rights remaining in your Area Representative Agreement, or
  - ii our current Area Representative Agreement with the Term adjusted to such length as remains on the Term of your Area Representative Agreement.

**7. Termination**

**7.1. Termination by You.**

You may terminate this Agreement, for any reason, at any time by giving us written notice of termination. Termination will be effective upon our receipt of your termination notice.

**7.2. Effect of Termination**

Expiration or Termination does not relieve any duties to comply with all of the provisions of this Agreement that require performance post-termination.

**7.3. Termination by Us.**

We may terminate this Agreement for Cause without notice, and without the opportunity for you to cure. "Cause" means:

- a. If you do not attend and pass our Initial Training in accordance with our current passing standards.
- b. If you violate any part of Section 3.2.C entitled Franchise Sales Representations or Section 3.4 entitled Limitations of Authority.

- c. If you are convicted of a felony or serious misdemeanor offense involving moral turpitude.
- d. If you violate applicable laws, rules or regulations related to any franchise law, antitrust law, or securities law.
- e. If you commit fraud, misappropriation, embezzlement, or unfair and deceptive practices.
- f. If you make a material misstatement of fact or fail to disclose a material fact on a Biographical Information Form or in any requested form.
- g. If you refuse to completely fill out a requested forms or tender supporting documentation upon reasonable request.
- h. You become insolvent, meaning unable to pay your bills in the ordinary course as they become due.
- i. If a final judgment of record against you or your Area Representative Territory remains unsatisfied for thirty (30) days or longer.
- j. If on your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after 6 months.
- k. If you commit three or more breaches of this Agreement, the Manual, or any other agreement with us or an affiliate, in any 12-month period regardless of whether such breaches were cured after notice.

***7.4. Termination by Us with the Opportunity to Cure.***

We may terminate this Agreement, if the following conditions remain within thirty (30) days after sending you notice and an opportunity to cure:

- a. You violate any other term or condition of this Agreement, the Area Representative Operations Guide, or any other agreement with us; or
- b. Any amount owing to us from you is more than 30 days past due.

***7.5. No Refund of Initial Fee.***

We have no obligation to return or refund any fee to you upon termination or expiration of this Agreement.

***7.6. Post Termination Obligations***

Upon termination or expiration of this Agreement, including a sale of the Area Representative Territory, you will:

- a. Discontinue using any of our “Marks;”
- b. Pay to us all sums due;
- c. If requested by us, transfer to us all telephone numbers used in relation to this Area Representative Territory and deliver to us written proof of transfer;
- d. Return to us or certify destruction of any paper and electronic copies of the Guide and any Confidential Information;

- e. Cancel all fictitious name filings which you use of any of our Marks; and
- f. Adhere to the post-term duties stated in Section 7.6 entitled Post Termination Obligations and any other duties that require your performance after you are no longer an Area Representative.

**7.7. Maintenance of Goodwill.**

You will not disparage us or our current and former employees, agents, members, directors, or franchisees. During the Term, you will not do any act harmful, prejudicial, or injurious to us.

**7.8. Non-Compete and No Solicitation.**

A. In-Term.

During the Term, you will not, except as required by this Agreement, directly or indirectly, throughout the United States:

- a) recruit, search for, or solicit franchisees or prospective franchisees to engage in the delivery of pet grooming or related pet care products or services,
- b) aid or facilitate another person or entity (except our franchisees) to engage in the delivery of pet grooming or related pet care products or services,
- c) own, operate, or have any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in any business that derives at least 50% of its revenue from the operation of high-end pet salons providing grooming services to client's pets and selling retail pet products, other than a pet salon business then operating pursuant to a franchise agreement with us (a "Competitive Business),
- d) divert or attempt to divert any business from us (or one of our affiliates or franchisees); or
- e) induce (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position; or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

Collectively, the "Prohibited Activities".

B. Post-Term.

You will not, for a period of two (2) years after expiration or termination of this Agreement, including a sale of the Area Representative Territory or your interest in it, in the Territory or within twenty-five (25) miles of the boundaries of the Area Representative Territory, directly or indirectly, engage in any of the Prohibited Activities.

**7.9. Waiver of bond.**

If we are forced to bring suit to enforce any sections of this Agreement, you will waive any requirement that we post bond to obtain a temporary or permanent injunction to enforce these duties.

**7.10. Severability.**

If any covenant or provision of this Agreement is determined to be void or unenforceable, in whole or in part, it will be deemed severed and removed and will not affect or impair the validity of any other covenant or provision.

Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either Party to this Agreement against the other, whether based upon this Agreement or otherwise, will not constitute a defense to the enforcement of these obligations.

**8. Dispute Resolution**

**8.1. Internal Resolution**

Any issue that you may have arising out of or related to this Agreement (“Matter”) will be resolved as described in this Section 8. You must exhaust this internal dispute resolution procedure before you bring your Claim in Court.

**A. Notice**

You must provide written notice by sending a letter to our Chief Executive Officer (“CEO”) via either certified mail or overnight delivery through a common carrier like FedEx, UPS or DHL.

The Notice must contain:

- a. A description of the specific nature of the Claim,
- b. All relevant facts,
- c. All supporting evidence, and
- d. Either the specific dollar amount of Damages, or the action requested to resolve the Matter (“Cure”);

**B. Response**

We will reply (“Response”) in writing within ten (10) business days with either:

- a. Corrective Action Plan with a schedule of when the Matter will be resolved if it cannot be Cured within ten (10) business days; or
- b. A detailed explanation of why the Matter should not be considered a breach or dispute including any supporting evidence to clarify any disputed facts.

**C. Meeting**

If in good faith, you do not believe the Matter is settled after the Response then within twenty-one (21) days of receipt of the Response, you may meet with the CEO or our agent in Virginia Beach, VA to discuss in person. Upon mutual agreement, the Parties may choose an alternate location or meet via video call.

**8.2. Mediation**

If in good faith, you do not believe the Matter is settled after the Meeting, then within thirty (30) days of receipt of the Response, such party will request mediation by:

- a. completing the request for mediation form at:  
[https://www.adr.org/sites/default/files/Request\\_for\\_Mediation.pdf](https://www.adr.org/sites/default/files/Request_for_Mediation.pdf)
- b. paying the applicable fee imposed and collected by the American Arbitration Association to initiate a mediation proceeding, and
- c. notifying the other party.

The mediation will be conducted in accordance with the mediation rules of the American Arbitration Association (“AAA”).

### ***8.3. Arbitration***

If a Matter cannot be resolved within ninety (90) days of the Response through Mediation, then you must submit the Matter to arbitration in accordance with the rules of the AAA. Your attorney must include in your demand for arbitration an estimate for legal fees (“Budget”) necessary to establish liability and damages. The Budget will include the maximum number of: a) witness, b) experts and c) documents. The Arbitrator will evaluate the Budget for proportionality to the Cure. The Budget must be approved by the Arbitrator, before conducting any discovery, or hearings. The Arbitrator must approve any increases in the Budget.

### ***8.4. Enforceable***

In the event such Matter is resolved within the ninety (90) days following submission to arbitration, then the decision and award determined by such arbitration will be final and binding upon both parties, enforceable by any court of competent jurisdiction.

### ***8.5. Costs***

If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

### ***8.6. Claims Excluded***

We may bring any claims in the state and federal courts located nearest to our headquarters, or such other location where jurisdiction and venue may be proper, if we so choose.

### ***8.7. Limitation of Actions.***

You will bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims.

### ***8.8. Prior Notice of Claims.***

Before commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

### ***8.9. Governing Law***

This Agreement is effective upon its acceptance in Virginia by our authorized officer. Except as to claims governed by federal law, Virginia law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee will apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

**8.10. Jurisdiction and Venue.**

Except as to matters which are subject to arbitration, venue and jurisdiction for any Claims will be proper solely in the state and federal court nearest to our corporate headquarters; presently located in Virginia Beach, Virginia.

**8.11. Non-Waiver of Breach**

The failure of either Party to enforce any one or more of the terms or conditions of this Agreement will not be deemed a waiver of such terms or conditions or of either Party's rights thereafter to enforce each and every term and condition of this Agreement.

**8.12. Jury Waiver.**

In any trial between any of the Parties as to any Claims, you and we will waive our rights to a jury trial and instead have such action tried by a judge.

**8.13. Class Action Waiver.**

You will bring any Claims, if at all, individually and you will not join such Claim with Claims of any other person or entity or bring, join or participate in a class action against us.

**8.14. Punitive Damages Waiver.**

As to any Claims, you and we will waive our rights, if any, to seek or recover punitive damages.

**8.15. Injunctive Relief and Waiver of Bond.**

Notwithstanding anything above, we shall be entitled to seek injunctive relief against you for any infringement of our marks, breach of confidentiality, breach of any covenants regarding competition and solicitation, post-term obligations, or for any breach that would result in irreparable injury to us through either arbitration or in a state or federal court at our discretion. If we are forced to bring suit to enforce any provision of this Agreement, you will waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**9. General**

**9.1. Entire Agreement**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

**9.2. Modification**

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Guide, without your consent.

**9.3. Third Party Beneficiaries.**

Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries.

#### ***9.4.Survival.***

All of the covenants that may require performance after the termination or expirations will survive any termination or expiration of this Agreement.

#### ***9.5.Severability Clause.***

If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it will be deemed severed and removed and will not impair the validity of any other covenant or provision of this Agreement.

#### ***9.6.Notices***

Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and will be given by mail or courier, postage fully prepaid, or delivered personally or by facsimile, to our CEO, at our corporate office, presently:

780 Lynnhaven Parkway, Suite 240  
Virginia Beach, VA 23452  
Phone (888) 412-7224

Any such notice may also be given to you in the same manner at the address indicated with your signature on this Agreement or such other more current address as we may have on file for you. You must notify us of any change of address in writing. We may also give notice to you by e-mail.

#### ***9.7.Acknowledgements***

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

#### ***9.8.Release of Prior Claims***

By executing this Agreement, the Area Representative, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all Claims arising prior to the date of this Agreement. However, this release does not apply to any Claim you may have arising from representations in our Franchise Disclosure Document.

#### ***9.9.Counterparts.***

This Agreement may be executed by the parties in this Agreement in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument. The Agreement may be signed and delivered electronically via email, facsimile or other means, which will each have the same legal effect as if signed in hardcopy with traditional ink. Electronic signatures will be deemed valid having the same legal as if it were physically executed. Use of an electronic signature will be consistent with

the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (“UETA”) and any applicable state law.

**9.10. Signature**

Intending to be bound by all the provisions expressed in this Agreement, on \_\_\_\_\_ (“Effective Date”) the authorized representatives of each Party affix his or her signature below to signify acceptance.

Area Representative Entity: \_\_\_\_\_

	Purely Pet LLC	Area Representative Entity
Signature		
Name		
Title		
Date		
Address		

	Signator	Signator
Signature		
Name		
Date		
Address		

## **SCHEDULE 1-TERRITORY**

Your Territory will be defined here.

## SCHEDULE 2-MINIMUM REQUIREMENTS

The following table establishes the minimum performance metrics required.

Year	Unit Franchise Sales	Cumulative
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

## SCHEDULE 3-AUTOMATIC BANK DRAFT AUTHORIZATION

Please complete the following with your banking information and attach a voided check:

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

Name of Financial Institution: \_\_\_\_\_

Address of Financial Institution: \_\_\_\_\_

Routing Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

I hereby authorize Purely Pet LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my Area Representative Agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify Purely Pet LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least three (3) days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to fifteen (15) days following issuance of my statement by the above-referenced financial institution or up to sixty (60) days after deposit, whichever occurs first.

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

Printed Name of Person Signing: \_\_\_\_\_

Title (if any): \_\_\_\_\_

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

Telephone Number: \_\_\_\_\_

Applicant's Address: \_\_\_\_\_

## **SCHEDULE 4-TELEPHONE & INTERNET ASSIGNMENT**

**THIS TELEPHONE & INTERNET ASSIGNMENT AGREEMENT** is made between Purely Pet LLC doing business as **Salty Dawg Pet Salon** (“Franchisor,” “we,” “us,” or “our”) and the franchisee named below (“Franchisee,” “you” or “your”).

### **1. BACKGROUND**

- A. The parties are entering into an Area Representative Agreement (“Agreement”).
- B. As a condition to signing the Area Representative Agreement, we have required that you appoint us Attorney in Fact, to take effect upon the expiration or termination of the Agreement, as to the telephone numbers, listings, advertisements, social media accounts, domains, websites, directories, or similar (collectively “Listings”) relating to your Franchise.

### **2. TELEPHONE NUMBER ASSIGNMENT**

Upon expiration or termination of the Agreement for any reason, Franchisee’s right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee will pay all amounts owed in connection with the Listings, and to immediately at Franchisor’s request,

- A. take any other action as may be necessary to transfer the Listings to Franchisor or Franchisor’s designated agent,
- B. install and maintain, at Franchisee’s sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings;
- C. disconnect the Listings; and/or
- D. cooperate with Franchisor or its designated agent in the removal or relisting of the Listings

Franchisor may require Franchisee to “port” or transfer to Franchisor or an approved call routing and tracking vendor all Listings.

### **3. Appointment as Attorney in Fact.**

For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee’s rights under the Agreement for any reason. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of

Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

**4. *Governing Law and Survival.***

The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located. All our rights survive the termination, expiration or non-renewal of the Agreement and inure to our benefit and to the benefit of our successors and assigns.

<b>FRANCHISEE</b>	<b>FRANCHISOR</b>
By:	By:
Date:	Date:

**SCHEDULE 5  
PERSONAL GUARANTY**

This binding contract (“Guaranty”) is between:

\_\_\_\_\_ (“Franchisor”) and  
\_\_\_\_\_ (“Guarantor”) for  
\_\_\_\_\_ (“Beneficiary”)

In exchange for awarding certain franchise rights to the Beneficiary, pursuant to an Area Representative Agreement, along with other valuable consideration, Guarantor(s) jointly and severally personally guarantee the payment of any money and the performance of any obligation of the Beneficiary to Franchisor. Therefore, each Guarantor will pay the Franchisor, on demand and without offset, any sum due to the Franchisor by the Beneficiary arising out of or related to the Area Representative Agreement. Guarantor further will pay all costs of collection including reasonable attorney’s fees.

This Guaranty will be a continuing and irrevocable guaranty and indemnity for indebtedness of the Beneficiary. The Guarantor will, to the extent permitted by law, waive the Homestead exemption, notice of acceptance, notice of presentment, demand, non-payment, dishonor and protest, along with the right to require Franchisor to proceed against the Beneficiary. Furthermore, Guarantor consents to and waives notice of any modification, amendment or extension of the terms of any Agreement between Franchisor and Beneficiary. Guarantor authorizes Franchisor to obtain and use Consumer Reports from time to time on the Guarantor for the sole purpose of evaluating current and ongoing creditworthiness.

This Guaranty will not exceed two hundred and fifty thousand dollars (\$250,000) and will remain in force throughout the term of the Beneficiary’s Area Representative Agreement, including any renewals and extensions. Subsequent agreements and credit applications will not serve to alter, supersede or otherwise modify this Personal Guaranty.

Guarantor consents to the use of electronic signatures consistent with Electronic Signatures in Global and National Commerce (ESIGN) Act, and the Uniform Electronic Transactions Act (UETA). Each Guarantor signifies the intent to be bound to the terms of this Guaranty by affixing their signatures in the space provided below.

_____	_____	_____
<b>Guarantor 1(Signature)</b>	<b>Printed Name</b>	<b>Date</b>
_____	_____	_____
<b>Guarantor 2(Signature)</b>	<b>Printed Name</b>	<b>Date</b>

## SCHEDULE 5A-PROMISSORY NOTE

FOR VALUE RECEIVED, \_\_\_\_\_ (each a "Maker") promises to pay to the order of Purely Pet LLC d/b/a Salty Dawg Pet Salon ("Payee") the principal amount of \_\_\_\_\_ together with interest at the rate of 12% per year.

This Note will be payable in \_\_\_\_\_ installments of \$ \_\_\_\_\_ each plus interest

The first payment is due \_\_\_\_\_ and will continue on \_\_\_\_\_ of each year until paid. The Maker may prepay this Note, in whole or in part, without penalty, at any time. TIME IS OF THE ESSENCE regarding the payment of any amounts due under this Note.

As security for Maker's obligations under this Note, Maker grants to Holder a security interest in Maker's right, title and interest in the Collateral, whether owned now or hereafter acquired. The Security Interest extends into any proceeds of the Collateral including but not limited to bank accounts and insurance payments. Collateral means: (1) All Area Representative Agreements and related agreements, as amended, between Holder and Maker pertaining to Maker's operation of a franchise business; and (2) All "Accounts" and all "General Intangibles" used by Maker in connection with the franchise business, including (without limitation) all ledgers, files, books, records, and accounts receivables; and (3) Any commissions, fees, concessions or payments of any money due Maker as a sales representative, financial advisor, independent contractor, licensee, business owner, franchisee, stockholder, partner, officer, director or employee with any financial services business; and (4) All "Equipment", "Supplies" and "Furniture and Fixtures" used by Maker in the franchise business, including all computers, printers, computer networks, telephone systems, fax machines, file cabinets, all office furniture, desks, chairs, tables, signs, panels and calculators.

Maker will enroll in the automatic fund transfer program. Repayment of the principal and interest under this Note will be made by deducting interest then principal amounts from revenue, then remitting the balance to Maker. Interest will be calculated based on a 360-day year consisting of twelve (12) months of 30 days each.

Any of the following will constitute an event of default by Maker under this Note: (1) Failure to pay of any installment of principal or interest when due; (2) Failure any other provision in this Note; (3) Uncured default in any other agreement between Maker and Holder; (4) Death or disability of any Maker; (5) Insolvency of Maker, involving failure to pay debts as they become due or makes an assignment for the benefit of creditors; (6) Maker files or becomes the subject of any petition for relief under the Federal bankruptcy laws or any state insolvency statute; (7) Attachment, levy or garnishment of Collateral by a creditor of Maker; (8) Material change in Maker's creditworthiness; or (9) Sale or termination of Maker's ownership rights in the business to which this Note relates.

Upon default, Holder may take any one or more of the following actions without releasing or discharging such Maker from liability on the Note: (1) Require immediate payment of the entire unpaid balance of this Note and all accrued interest without further notice or demand; (2) Extend the time for payment of any principal, interest or other amount; (3) Renew this Note, in whole or in part; (4) Grant a full or partial release or discharge from liability; (5) Grant a modification of the rate of interest or any other term of this Note. The remedies are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

This Note will be construed in all respects and enforced according to the laws of Virginia. If any term of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or render unenforceable such term in any other jurisdiction. The failure of Holder to enforce any one or more of the terms or conditions of this Note will not be deemed a waiver of such terms or conditions or of Holder's rights to enforce any term and condition of this Note.

The Maker will pay all reasonable attorneys' fees and other expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any Collateral. Maker waives the right to a trial by jury in any action in connection with this Note. This waiver is knowingly, willingly and voluntarily made by each Maker. Maker warrants that no representations of fact or opinion have been made by any individual to induce this waiver. Maker represents that Maker had the opportunity to be represented by independent legal counsel selected of Maker's own free will, and that Maker has had the opportunity to discuss this waiver with Maker's counsel.

The Maker will submit monthly financial information to Holder, such as an income statement balance sheet, and supporting documents, as Holder requests from time to time and in the format Holder reasonably requires. The Maker represents and warrants to Holder that the loan evidenced by this Note is being made for approved business, commercial or investment purposes associated with the franchised business. The Maker further represents and warrants that the execution of this Note and the performance of the obligations stated herein have been duly authorized by all necessary action in accordance with all applicable laws.

This Note constitutes the entire understanding of the parties and supersedes all prior negotiations, and undertakings of the parties with respect to the subject matter. This Note and any judgment based upon it may be assigned, transferred or negotiated by the Holder to any person at any time without notice to or the consent of the Maker or any guarantor. This Note will be binding upon the heirs, personal representatives, successors and assigns of Maker and will inure to the benefit of Holder, Holder's successors and assigns. The Maker may neither assign nor transfer this Note or any of its rights without the prior written consent of the Holder. This Note may be executed in counterparts, each of which will constitute an original, but all taken together will constitute a single instrument. This Note may be executed or transmitted electronically. Electronic signatures will be deemed valid having the same legal as if it were physically executed. Use of an electronic signature will be consistent with the Electronic Signatures in Global and National Commerce Act ("E-Sign Act"), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act ("UETA") and any applicable state law.

Intending to be bound by this Note, both Makers affix the signatures, intending to be bound below to signify acceptance on this day \_\_\_\_\_.

<b>Maker</b>	<b>Co-Maker</b>
Signature:	Signature:
Name:	Name:
Date:	Date:
Address:	Address:

## SCHEDULE 6-RELEASE

(Sample Form)

THIS RELEASE (“Release Agreement”) is made and given by \_\_\_\_\_, (“Releasor”) with reference to the following facts:

1. Releasor and Purely Pet LLC doing business as **Salty Dawg Pet Salon** (“Releasee”) are parties to one or more Area Representative Agreements.

2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Area Representative Agreement or other renewal documents renewing the franchise (the “Franchise”); or  
\_\_\_\_\_ Releasor’s consent to Releasee’s transfer of its rights and duties under the Area Representative Agreement; or  
\_\_\_\_\_ Releasor’s consent to Releasee’s assumption of rights and duties under the Area Representative Agreement; or

\_\_\_\_\_ [insert description]

3. Release- Franchisee and all Franchises’ guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Area Representatives, Franchisees, successors, assigns and affiliates (collectively “Released Parties”) from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Representative could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

6. This Release Agreement does not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise

laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder.

Approved and agreed to by:

<b>Franchisee</b>	<b>Franchisor</b>
Signature:	
Name:	
	Date:

## SCHEDULE 7-BIOGRAPHICAL INFORMATION

1. Name: \_\_\_\_\_

2. Current Title/Position with Franchisor: **Area Representative**

3. Business Address:  
 \_\_\_\_\_  
 \_\_\_\_\_

4. Business Phone Number: \_\_\_\_\_

5. Beginning with the date you started the job you held six years ago, on the chart below please list your dates of employment, your employer(s), and your position(s) held from then to the present:

**\*Please make sure to include your current position with the franchisor (including Area Representative, etc.) as well as any prior titles or positions you held with the Franchisor.**

**\*Please make sure to include all positions held even though not as an employee. For example, include positions held as “self-employed” or as a franchisee, consultant, or independent contractor.**

**\*Please print clearly and do not use abbreviations except where such abbreviation actually shows up in the name of a company (i.e., “Inc.”) and you may abbreviate the name of a state.**

<u>Company</u>	<u>City/State</u>	<u>Position Held</u>	<u>Start Date</u> <u>(Month and</u> <u>Year)</u>	<u>End Date</u> <u>(Month and</u> <u>Year)</u>

6. Have you been convicted of a felony or pleaded *nolo contendere* to a felony charge involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

7. Have you been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge involving a violation of franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

8. Have you been party to any civil action, administrative action, complaint or legal proceeding involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

9. Are you a party to any proceeding, which could make you subject to, or are you subject to an injunction or restraining order brought by any public agency or department?

YES  NO

10. Have you been a party in any arbitration proceeding during the past ten years?

YES  NO

11. Have you filed in bankruptcy; been adjudicated a bankrupt; been reorganized due to insolvency; or been a principal, director, executive officer, trustee or general partner or any other entity that has filed in bankruptcy, been adjudicated a bankrupt, or been reorganized due to insolvency in the last ten years?

YES  NO

12. Are you subject to any currently effective order of any national securities association or national securities exchange suspending or expelling you from membership in such association or exchange?

YES  NO

13. If your answer to any of the above items is in the affirmative, please attach a separate sheet of paper and on that attached sheet please state the court, the date of conviction or judgment, if any; the current status of the matter; any penalty imposed or damages assessed; and the date, nature, and issue of any order, as well as any other explanatory information you think pertinent. Please also include a copy of any Complaints, Claims, Indictments or Charges against you and any Consent Decree, Settlement Agreement, or ruling of a Court or other body as to the disposition of such claims.

## II. SALESPERSON DISCLOSURE

If anyone other than you will be offering or selling franchises under this Area Representative Agreement, please write their name(s) below and what they will be doing.

<u>Name</u>	<u>What Will They Be Doing</u>
1. _____	_____
2. _____	_____
3. _____	_____

## III. LLC AND CORPORATIONS

If your Area Representative Agreement is held by a limited liability company or Corporation, please also advise:

What is the name of the entity? \_\_\_\_\_

In what state is the entity formed? \_\_\_\_\_

What is your role in the entity? (For example, Managing Member, President, etc.):

\_\_\_\_\_

## IV. TERRITORY

In what state(s) is your Area Representative Territory? \_\_\_\_\_

## V. PROMISE TO UPDATE & CERTIFICATION

If at any time I become involved in litigation, convicted of a crime, or file bankruptcy, I promise to notify franchise counsel of these facts immediately. Further, I hereby certify that all the information I have provided above is true, complete and correct to the best of my information and belief.

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

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

**SCHEDULE 8-STATE ADDENDA TO THE AREA REPRESENTATIVE AGREEMENT**

**CALIFORNIA ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Initial Fee Deferral:

The Area Representative Agreement is revised to add the following language:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

**ILLINOIS ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Area Representative Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Area Representative Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Area Representative Agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee rights upon termination and non-renewal are in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The Area Representative Agreement is amended by adding the following language:

Franchisor will defer payment of initial franchise fees and option fees until Franchisor has met its initial obligations to Franchisee, and the Franchisee has commenced business operations. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

**MARYLAND ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

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

2. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. This Area Representative Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Initial Fee Deferral:

The Area Representative Agreement is amended to include the following:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Area Representative Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement.

[signature page follows]

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

## **MINNESOTA ADDENDUM TO THE AREA REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor 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 for non-renewal of the Area Representative Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Initial Fee Deferral

Franchisor defers the collection of the Initial Fee until the opening of the franchised business. The Area Representative Agreement, Section 2.2 is amended to provide, "Payment of the Initial Fee is deferred until you have opened the franchised business."

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

**NORTH DAKOTA ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a general release upon renewal of the Area Representative Agreement.

2. The Area Representative Agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of punitive damages are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

4. The provision concerning limitation of actions is modified to provide that the statute of limitations under North Dakota Law will apply.

5. The provision concerning mediation and arbitration are modified to also provide that the site of mediation and arbitration shall be agreeable to all parties and may not be remote from your place of business.

6. North Dakota law governs any cause of action arising out of the Area Representative Agreement.

7. Any requirement in the Area Representative Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

9. North Dakota requires the Franchisor to defer collection of the Initial Fee until the Franchisor has completed all of their initial obligations owed to North Dakota Franchisees under the Franchise Agreement or other documents and the Franchisee has commenced doing business pursuant to the Franchise Agreement.

[signature page follows]

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

**RHODE ISLAND ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

1. If the Area Representative Agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the Area Representative Agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the Area Representative Agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this Area Representative Agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

**VIRGINIA ADDENDUM  
TO THE ARE REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

Initial Fee Deferral:

The Area Representative Agreement is modified to also provide 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 Area Representatives to the franchisor until the franchisor has completed its pre-opening obligations under the Area Representative Agreement.”

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

**WASHINGTON ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the area representative agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws**. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights**. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation**. 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.

4. **General Release**. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial**. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees**. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Section 9.8 of the Area Representative Agreement does not apply to Washington franchisees.

20. **Initial Fee Deferral:**

The Area Representative Agreement is amended by adding the following language:

Franchisor will defer the collection of the initial Area Representative fee until the Franchisor has fulfilled its pre-opening obligations to the franchisee and the franchisee is open for business.

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

**WISCONSIN ADDENDUM  
TO THE AREA REPRESENTATIVE AGREEMENT**

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

1. If the Area Representative Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
2. The Area Representative Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, Area Representative Agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

	<b>Purely Pet LLC</b>	<b>Area Representative</b>
Signature		
Name		
Title		
Date		

**EXHIBIT C-LIST OF STATE ADMINISTRATORS AND REGISTERED AGENTS**

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
<b>California</b>	<p>The Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013</p> <p>651 Bannan Street, Suite 300 Sacramento, CA 95811 1-866-275-2677</p> <p>1455 Frazee Rd, Suite 315 San Diego, CA 92108</p> <p>One Sansome St, Suite 600 San Francisco, CA 94104 (866) 275-2677</p>	<p>Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013</p>
<b>Connecticut</b>	<p>The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299</p>	<p>The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299</p>
<b>Hawaii</b>	<p>Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p>	<p>Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813</p>
<b>Illinois</b>	<p>Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	<p>Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706</p>
<b>Indiana</b>	<p>Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681</p>	<p>Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204</p>
<b>Kentucky</b>	<p>Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300</p>	
<b>Maryland</b>	<p>Office of the Attorney General Securities Division</p>	<p>Maryland Securities Commissioner 200 St. Paul Place</p>

	200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Baltimore, MD 21202-2020
<b>Michigan</b>	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 335-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
<b>Minnesota</b>	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
<b>Nebraska</b>	Nebraska Department of Banking and Finance 1526 K Street, Suite 300 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
<b>New York</b>	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231-0001 (518) 473-2492
<b>North Dakota</b>	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510
<b>Rhode Island</b>	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9500	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920
<b>South Dakota</b>	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
<b>Texas</b>	Secretary of State Statutory Document Section P.O. Box 13193 Austin, TX 78711 (512) 475-0775	
<b>Utah</b>	Department of Commerce Division of Consumer Protection	

	160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
<b>Virginia</b>	State Corporation Commission Division of Securities and Retail Franchising, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
<b>Washington</b>	Washington State Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
<b>Wisconsin</b>	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608)-266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

**EXHIBIT D-TABLE OF CONTENTS – OPERATING GUIDE  
SALTY DAWG, LLC**

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**EXHIBIT E-1**  
**LIST OF FRANCHISEES**

The following is a list of the names of all Area Representative Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

**Operational Area Representative Franchisees (as of December 31, 2024):**

Salty Pawz LLC  
Noah Hatcher & Bonnie Watson  
1734 Anglers Plaza  
Grapevine, TX 76051-2902  
785-307-2581

**Area Representative Agreement Signed, but not yet opened (as of December 31, 2024):**

None.

**EXHIBIT E-2**  
**LIST OF FORMER FRANCHISEES**

The following is a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every Area Representative who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under an Area Representative agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document.

**None.**

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

**EXHIBIT F**  
**FINANCIAL STATEMENTS**

# PURELY PET LLC

## FINANCIAL STATEMENTS

### WITH INDEPENDENT AUDITOR'S REPORT

FOR THE ONE YEAR ENDED DECEMBER 31, 2024



DASH Business Solutions, LLC  
1127 Royal Palm Beach Blvd #408  
Royal Palm Beach, FL 33411  
561.247.5303  
info@dash.cpa

# PURELY PET LLC

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# DASH Business Solutions

## *Independent Auditor's Report*

To the Members of  
Purely Pet LLC

### ***Opinion***

We have audited the accompanying financial statements of Purely Pet LLC, which comprise the balance sheet as of December 31, 2024, and the related statement of operations, members' equity, and cash flows for the year 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 Purely Pet LLC as of December 31, 2024, and the results of its operations and its cash flows for the year then ended, in accordance with the generally accepted accounting principles in the United States of America.

### ***Basis for Opinion***

The audit was conducted in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The auditor is required to be independent of Purely Pet LLC and meet other ethical responsibilities in accordance with the relevant ethical requirements relating to the audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles 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 Purely Pet LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

# DASH Business Solutions

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Purely Pet LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Purely Pet LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters the auditor identified during the audit.

*DASH Business Solutions, LLC*

DASH Business Solutions, LLC  
Royal Palm Beach, FL  
April 4, 2025

# PURELY PET LLC

Balance Sheet  
December 31, 2024

## ASSETS

### Current Assets

Cash and Cash Equivalents	\$ 7,578
Total Current Assets	<u>7,578</u>

### Other Assets

Held For Sale	<u>59,500</u>
Total Other Assets	<u>59,500</u>

TOTAL ASSETS	<u><u>\$ 67,078</u></u>
--------------	-------------------------

## LIABILITIES & EQUITY

### Current Liabilities

Accounts Payable	\$ 7,649
Due To Affiliates	160,960
Deferred Revenue - Current	<u>25,992</u>
Total Current Liabilities	<u>194,601</u>

### Long-Term Liabilities

Deferred Revenue	<u>102,925</u>
Total Long-Term Liabilities	<u>102,925</u>

Total Liabilities	<u>297,526</u>
-------------------	----------------

### Members' Equity

Retained Earnings	<u>(230,448)</u>
Members' Equity	<u>(230,448)</u>

TOTAL LIABILITIES & EQUITY	<u><u>\$ 67,078</u></u>
----------------------------	-------------------------

See Notes to the Financial Statements

# PURELY PET LLC

## Statement of Operations For The One Year Ended December 31, 2024

Revenues	
Royalty Revenue	\$ 12,131
Technology Fee Revenue	1,125
Area Rep Sales Revenue	1,083
Total Revenues	<u>14,339</u>
Expenses	
Advertising	19,393
Bank Fees	15
Contract Labor	1,260
Filing Fees	6,845
Legal and Professional	36,011
Marketing	2,900
Meals Expense	1,440
Office Supplies and Expense	1,963
Overhead - Corporate	71,142
Overhead - Marketing & Sales	17,724
Payroll Taxes	6,234
Repairs and Maintenance	5,592
Salaries and Wages	76,643
Technology Expense	3,857
Travel Expense	23,768
Total Expenses	<u>274,787</u>
Net Income (Loss)	<u>\$ (260,448)</u>

See Notes to the Financial Statements

# PURELY PET LLC

## Statement of Changes in Members' Equity For The One Year Ended December 31, 2024

Equity at May 1, 2024	\$	-
Member Contributions		30,000
Member Distributions		-
Net Income (Loss)		<u>(260,448)</u>
Equity at December 31, 2024	\$	<u><u>(230,448)</u></u>

See Notes to the Financial Statements

# PURELY PET LLC

## Statements of Cash Flows For The One Year Ended December 31, 2024

<u>Cash Flows From Operating Activities:</u>	
Net Income (Loss)	\$ (260,448)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Accounts Payable	7,649
Increase (Decrease) in Deferred Revenue	128,917
Net Cash Provided by Operating Activities	<u>(123,882)</u>
<u>Cash Flows From Investing Activities:</u>	
Due To Affiliates	160,960
Purchase of Assets	(59,500)
Net Cash Provided by Investing Activities	<u>101,460</u>
<u>Cash Flows From Financing Activities:</u>	
Capital Contributions	30,000
Net Cash Provided by Financing Activities	<u>30,000</u>
Net Change in Cash	7,578
Cash - Beginning of Period	<u>-</u>
Cash - End of Period	<u>\$ 7,578</u>

See Notes to the Financial Statements

# PURELY PET LLC

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Organization and Nature of Business*

Purely Pet LLC (hereinafter “Company”) was formed on May 20, 2024 as a Virginia limited liability company for the purpose of offering franchise opportunities and support to entrepreneurs who want to own a franchise location of Purely Pet, a brick-and-mortar pet grooming salon offering different packages of grooming services, baked pet goods, and other pet related retail items. The Company believes the experience of the management in the franchisor and pet grooming industries provides a competitive advantage including the ability to direct affiliate resources to assist during the initial growth periods.

#### *Basis of Accounting*

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included with cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

#### *Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

#### *Financial Instruments*

For certain of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

# PURELY PET LLC

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Advertising Costs*

The Company expenses advertising costs as they are incurred.

#### *Other Assets*

Held For Sale assets represent the repurchase of two territories by the Company. The assets are valued at cost when purchased and are accounted for using the specific identification method of valuation. The two territories are held for future resale. The Company will recognize future income from the sales as ordinary income.

#### *Subsequent Events*

Management has reviewed and evaluated subsequent events through April 4, 2025, the date on which the financial statements were issued.

#### *Revenue Recognition*

The Financial Accounting Standards Board issued ASC 606 whereas the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. The franchise fee revenue is recognized equally over a ten-year period, amortized monthly based on the contract signing date.

The Company's revenues consist of fees from franchises such as initial franchise fees, royalties, marketing fees, area representative fees, and other fees. The franchise fees are initially deferred revenue and recognized monthly. If the contract is signed before the fifteenth day of the month, the entire month of the accrual amount is recognized. If the contract is signed on or after the fifteenth day of the month, half of the monthly accrual is recognized. The royalty revenue and other fees are recognized when earned and are based on a percentage of gross sales of each individual franchise according to the franchise contract. The Company is obligated to provide the franchise with specific performances, including name and trademark use, as outlined in the franchise disclosure document. The initial franchise fee: is not refundable; is typically collected upon contract signing; and, future allocations of the initial franchise fees have no risk of impairment. When a franchise terminates the contract, the remainder of the initial franchise fee may be recognized in the year of termination.

# PURELY PET LLC

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Income Taxes*

The entity is structured as a single member limited liability company under the laws of the State of Virginia and is considered a disregarded entity for federal and state income tax purposes. The Company follows the guidance under Accounting Standards Codification Topic 740, Accounting for Uncertainty in Income Taxes, which prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member, not the Company. The Company has not identified any uncertain tax positions. The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

### NOTE 2 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2024, the Company began allocating overhead costs of the managing affiliate for services provided to the Company based on the percentage of time spent on the Company by affiliate through the use of shared labor, utilities, office space, and other overhead costs. The allocation was deemed reasonable by management and the services are allocated by the same allocation method amongst multiple franchisor affiliates. The summary allocations are reflected in the financial statements and the repayment is adjusted through the affiliate loan accounts. The details of the overhead expenses are as follows:

	<b>2024</b>
Marketing Overhead	7,246
Sales Overhead	10,478
<b>Total</b>	<b>17,724</b>
Training Overhead	22,074
Assistant Overhead	481
Legal Overhead	5,820
Operations Overhead	7,100
IT Overhead	9,134
Mapping Overhead	4,757
Event Management Overhead	6,720
Accounting Overhead	15,056
<b>Total</b>	<b>71,142</b>

# PURELY PET LLC

## Notes to the Financial Statements

### NOTE 3 - DEFERRED REVENUE

As stated in Note 1, under ASC 606, Management has determined that revenue from the initial franchise fee should be recognized equally over a ten-year period monthly beginning when the contract is signed. At December 31, 2024, the amounts in deferred revenue consist of the current portion that will be recognized during the subsequent calendar year, and the long-term portion that will be recognized as previously stated.

### NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

### NOTE 5 - AFFILIATE LOANS

During the ordinary course of business, the Company enters into transactions with related parties primarily due to short term advances and cost reimbursements. The amounts are reflected on the balance sheet as affiliate loan assets and/or affiliate loan liabilities and are expected to be repaid during the subsequent year. There are no written terms of repayment and no interest charged. Any amounts outstanding after the subsequent twelve months will be included in a formal note with an imputed interest rate, if applicable.

### NOTE 6 - FRANCHISE AGREEMENT

The terms of the Company’s franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisees franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee and other fees as outlined in the agreement.
- D. All other terms of the Franchise Disclosure Document.

# PURELY PET LLC

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE ONE MONTH ENDED MAY 31, 2024



DASH Business Solutions, LLC  
1127 Royal Palm Beach Blvd #408  
Royal Palm Beach, FL 33411  
561.247.5303  
info@dash.cpa

# PURELY PET LLC

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Statement of Changes in Members' Equity .....	5
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# DASH Business Solutions

## *Independent Auditor's Report*

To the Members of  
Purely Pet LLC

### ***Opinion***

We have audited the accompanying financial statements of Purely Pet LLC, which comprise the balance sheet as of May 31, 2024, and the related statement of operations, members' equity, and cash flows for the month 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 Purely Pet LLC as of May 31, 2024, and the results of its operations and its cash flows for the month then ended, in accordance with the generally accepted accounting principles in the United States of America.

### ***Basis for Opinion***

The audit was conducted in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The auditor is required to be independent of Purely Pet LLC and meet other ethical responsibilities in accordance with the relevant ethical requirements relating to the audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles 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 Purely Pet LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

# DASH Business Solutions

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Purely Pet LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Purely Pet LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters the auditor identified during the audit.

*DASH Business Solutions, LLC*

DASH Business Solutions, LLC  
Royal Palm Beach, FL  
June 11, 2024

PURELY PET LLC

Balance Sheet  
May 31, 2024

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 30,000
Total Current Assets	<u>30,000</u>

TOTAL ASSETS	<u><u>\$ 30,000</u></u>
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LIABILITIES & EQUITY

Current Liabilities

Accounts Payable	\$ -
Total Current Liabilities	<u>-</u>

Total Liabilities	<u>-</u>
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Members' Equity

Retained Earnings	30,000
Members' Equity	<u>30,000</u>

TOTAL LIABILITIES & EQUITY	<u><u>\$ 30,000</u></u>
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See Notes to the Financial Statements

PURELY PET LLC

Statement of Operations  
For The One Month Ended May 31, 2024

Revenues	
Franchise Fees	\$ -
Total Revenues	<u>-</u>
Expenses	
Organizational Expenses	-
Total Expenses	<u>-</u>
Net Income (Loss)	<u>\$ -</u>

See Notes to the Financial Statements

PURELY PET LLC

Statement of Changes in Members' Equity  
For The One Month Ended May 31, 2024

Equity at May 1, 2024	\$	-
Member Contributions		30,000
Member Distributions		-
Net Income (Loss)		<u>-</u>
Equity at May 31, 2024	\$	<u>30,000</u>

See Notes to the Financial Statements

PURELY PET LLC

Statements of Cash Flows  
For The One Month Ended May 31, 2024

<u>Cash Flows From Operating Activities:</u>	
Net Income (Loss)	\$ -
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation & Amortization	-
Changes in Assets and Liabilities	-
Net Cash Provided by Operating Activities	<u>-</u>
<u>Cash Flows From Investing Activities:</u>	
Net Cash Provided by Investing Activities	<u>-</u>
<u>Cash Flows From Financing Activities:</u>	
Members' Contributions	30,000
Net Cash Provided by Financing Activities	<u>30,000</u>
Net Change in Cash	30,000
Cash - Beginning of Period	<u>-</u>
Cash - End of Period	<u>\$ 30,000</u>

See Notes to the Financial Statements

## PURELY PET LLC

### Notes to the Financial Statements

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Organization and Nature of Business*

Purely Pet LLC (hereinafter “Company”) was formed on May 20, 2024 as a Virginia limited liability company for the purpose of offering franchise opportunities and support to entrepreneurs who want to own a franchise location of Purely Pet, a brick-and-mortar pet grooming salon offering different packages of grooming services, baked pet goods, and other pet related retail items. The Company has not commenced operations and is subject to the risks and uncertainties related to franchising, retail, and new businesses. The Company believes the experience of the management in the franchisor and pet grooming industries provides a competitive advantage including the ability to direct affiliate resources to assist during the initial growth periods.

##### *Basis of Accounting*

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

##### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### *Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included with cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

##### *Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

##### *Financial Instruments*

For certain of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

## PURELY PET LLC

### Notes to the Financial Statements

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### *Subsequent Events*

Management has reviewed and evaluated subsequent events through June 11, 2024, the date on which the financial statements were issued.

##### *Revenue Recognition*

The Financial Accounting Standards Board issued ASC 606 whereas the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. The franchise fee revenue is recognized equally over a ten-year period, amortized monthly based on the contract signing date.

The Company's revenues consist of fees from franchises such as initial franchise fees, royalties, marketing fees, area representative fees, and other fees. The franchise fees are initially deferred revenue and recognized monthly. If the contract is signed before the fifteenth day of the month, the entire month of the accrual amount is recognized. If the contract is signed on or after the fifteenth day of the month, half of the monthly accrual is recognized. The royalty revenue and other fees are recognized when earned and are based on a percentage of gross sales of each individual franchise according to the franchise contract. The Company is obligated to provide the franchise with specific performances, including name and trademark use, as outlined in the franchise disclosure document. The initial franchise fee: is not refundable; is typically collected upon contract signing; and, future allocations of the initial franchise fees have no risk of impairment. When a franchise terminates the contract, the remainder of the initial franchise fee may be recognized in the year of termination.

##### *Income Taxes*

The entity is structured as a single member limited liability company under the laws of the State of Virginia and is considered a disregarded entity for federal and state income tax purposes. The Company follows the guidance under Accounting Standards Codification Topic 740, Accounting for Uncertainty in Income Taxes, which prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member, not the Company. The Company has not identified any uncertain tax positions. The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

## PURELY PET LLC

### Notes to the Financial Statements

#### NOTE 2 - COMMITMENTS AND CONTINGENCIES

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

#### NOTE 3 - FRANCHISE AGREEMENT

The terms of the Company’s franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisees franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee and other fees as outlined in the agreement.
- D. All other terms of the Franchise Disclosure Document.

## **EXHIBIT G**

### **STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending
Illinois	Pending
Maryland	Pending
Michigan	September 12, 2024
New York	Pending
South Dakota	September 23, 2024
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.

## SCHEDULE H RECEIPT

This Disclosure Document summarizes certain provisions of the Area Representative Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Purely Pet LLC d/b/a Salty Dawg Pet Salon offers you a franchise, it must provide this Disclosure Document to you fourteen (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.

Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 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.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Purely Pet, 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, DC 20580 and the appropriate state agency listed on Exhibit C.

The franchisor is Purely Pet LLC and is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Its telephone number is (888) 412-7224.

Issuance date: April 18, 2025, as amended July 3, 2025.

The franchise seller for this offering is:

<b>Seller</b>	<b>Address</b>	<b>City, State Zip</b>	<b>Phone</b>
Joe Dent	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23452	(888) 412-7224
John T. Hewitt	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23452	(888) 268-0321
Kelly Wyatt (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23452	(757) 560 1040
Jamie Marcil (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23452	(833) 920 0735
Tayler Romanelli (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23452	(833) 920-0735

<b>Seller</b>	<b>Address</b>	<b>City, State Zip</b>	<b>Phone</b>
Gwendolyn DiFerdinando	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23454	(833) 920-0735
Erik Klumpe (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23454	(833) 920-0735
Jennifer Wyatt-Wilson (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23454	(833) 920-0735
Colin Flynn (Loyalty Brands)	7226 Pomelo Dr.	West Hills, CA 91307	310-801-4654

I have received a Disclosure Document issued April 18, 2025, as amended July 3, 2025, that included the following:

- Exhibit A-State Addenda to the Franchise Disclosure Document
- Exhibit B-Area Representative Agreement
  - Schedule 1-Territory
  - Schedule 2-Minimum Requirements
  - Schedule 3-Automatic Bank Draft Authorization
  - Schedule 4-Telephone Number Assignment
  - Schedule 5-Personal Guarantee
  - Schedule 5A-Promissory Notes
  - Schedule 6-Release
  - Schedule 7-Area Representative Biographical Information
  - Schedule 8-State Addenda to the Area Representative Agreement
- Exhibit C-List of State Administrators and Registered Agents
- Exhibit D-Table of Contents to Operations Guide
- Exhibit E-1 List of Area Representatives
- Exhibit E-2 List of Former Area Representatives
- Exhibit F Financial Statements
- Exhibit G-State Effective Dates
- Exhibit H-Receipts

**Please date, sign and keep this copy of the receipt for your records.**

Signature \_\_\_\_\_

Name \_\_\_\_\_

Date \_\_\_\_\_

## RECEIPT

This Disclosure Document summarizes certain provisions of the Area Representative Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Purely Pet, 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, DC 20580 and the appropriate state agency listed on Exhibit C.

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- Exhibit D-Table of Contents to Operations Guide
- Exhibit E-1 List of Area Representatives
- Exhibit E-2 List of Former Area Representatives
- Exhibit F- Financial Statements
- Exhibit G-State Effective Dates
- Exhibit H-Receipts

Signature\_\_\_\_\_

Name\_\_\_\_\_

Date\_\_\_\_\_

**Please sign this copy of the receipt, date your signature, and return it to Purely Pet LLC,  
780 Lynnhaven Pkwy, Ste. 240, Virginia Beach, VA 23452.**