

## FRANCHISE DISCLOSURE DOCUMENT (UNIT)

 <p><b>Salty Dawg</b> PET SALON + BAKERY</p>	<p><b>Salty Dawg Pet Salon</b> Purely Pet LLC 780 Lynnhaven Pkwy, Suite 240 Virginia Beach, Virginia 23452 Phone: (888) 412-7224 sallyf@saltydawg.com <a href="https://saltydawgpetsalon.com/">https://saltydawgpetsalon.com/</a></p>
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Purely Pet LLC offers franchises for the operation of high-end pet salons providing (A) at present, high-end pet grooming services, retail sales of pet food and pet treats, retail sales of various pet merchandise, and other services related to pet care to pet owners and (B) in the future, may include providing training to groomers and offering groomer certifications, all under the brand Salty Dawg Pet Salon (“**Salty Dawg Pet Salon Businesses**”).

The total investment necessary to begin operation of a single Salty Dawg Pet Salon is \$185,250 to \$460,950 including \$40,000 that must be paid to the franchisor or its affiliates. The initial investment listed throughout this document does not include any money received from landlords for tenant improvement allowances.

Franchisees may also choose to become a Multi-Unit Operator (“**Multi-Unit Operator**”), earning the right to establish and operate two (2) or more Salty Dawg Pet Salon franchises under a Multi-Unit Option Agreement (“**Multi-Unit Option Agreement**”) containing a development schedule. If you sign a Multi-Unit Option Agreement for two (2) to five (5) Salty Dawg Pet Salon franchises, the total investment necessary to begin operation is \$231,750 to \$604,600, including \$70,000 to \$160,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, 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 Sally Facinelli 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 your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW., Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

**Issuance Date: December 21, 2023, as amended August 19, 2024**

### 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 Exhibit H.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Salty Dawg Pet Salon business in the area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Salty Dawg Pet Salon franchisee?</b>	Item 20 or Exhibit H lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the Table of Contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement and multi-unit option agreement require you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Virginia Beach, Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **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.
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. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
5. **Unregistered Trademark**. One of the primary trademarks that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products and services you offer.
6. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS, IF ANY, APPEAR IN THE STATE ADDENDA AT **EXHIBIT E**.

**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. Our agent for service of process in Virginia is John Allen Waldrop, III whose principal place of business is 780 Lynnhaven Parkway, Suite 400, Virginia Beach, Virginia 23452. Our agents for service of process in other states which vary by state are identified in **Exhibit D** to this Disclosure Document. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

We have not, and do not, operate any franchises like those described in this Franchise Disclosure Document, or in any other line of business. We do not conduct any other business other than the administration of the Salty Dawg Pet Salon franchise system.

Our Parent

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.

Our Predecessor

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 franchises of the same type as being offered under this Disclosure Document since 2019 under the same trademarks. The assets we purchased included an assignment of certain franchise agreements (the “Assigned Outlets”) and excluded any non-operational franchised outlets or company owned outlets (the “Excluded Assets”). The Excluded Outlets are not included in Item 20 of this Disclosure Document because they were not purchased by us.

Our 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. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2019. They do not offer franchises in any other line of business. As of December 31, 2023, ATAX had a total of 111 franchise unit outlets in operation.

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. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2022. They do not offer franchises in any other line of business. As of December 31, 2023, Loyalty Business Brokers had a total of 4 franchise unit outlets in operation.

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. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2020. They do not offer franchises in any other line of business. As of December 31, 2023, Ledgers had a total of 4 franchise unit outlets in operation.

We have an affiliate, **LMS Franchising, LLC** established on May 21, 2014, with a principal place of business of 707 N. New Ballas Road, St. Louis, Missouri 63141, which also conducts business under the Little Medical School® trade name and may also use the name “Little Medical School” or “Little Nursing School” or “Little Veterinarian School.” LMS Franchising, LLC offers franchise opportunities for curriculum-based educational programs that focus on medicine, science, and the benefits of good health for children ages four to fourteen years old. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2014. They do not offer franchises in any other line of business. As of December 31, LMS Franchising, LLC had a total of 26 franchise unit outlets in operation in the United States.

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. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2022. They do not offer franchises in any other line of business. As of December 31, 2023 CR3 American Exteriors had a total of 7 franchise unit outlets in operation.

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. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2020. They do not offer

franchises in any other line of business. As of December 31, 2023, The Inspection Boys had a total of 14 franchise unit outlets in operation.

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 franchise opportunities for mobile pet grooming services. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2020. They do not offer franchises in any other line of business. As of December 31, 2023, Zoomin Groomin had a total of 70 franchise unit outlets in operation.

### Description of the Franchise

We offer one franchise in this Disclosure Document that operates under our proprietary system (“**Franchise System**”). It is for the use of the “**Salty Dawg Pet Salon**” registered trademark, the “**Sweet Dawg Pet Bakery**” trademark, and our related trade names, service marks, and logos (together, the “**SD Marks**”) for the operation of a Salty Dawg Pet Salon Business. The term “SD Marks” also includes any distinctive trade dress used to identify a Salty Dawg Pet Salon, whether now in existence or created at a later date. If you choose to acquire a franchise for a Salty Dawg Pet Salon, your business will operate under the SD Marks. Salty Dawg Pet Salons offer pet grooming services, retail sales of pet food and pet treats, and retail sales of pet merchandise; in the future, they may offer a training academy to develop future groomers, training and pet tech certifications, or other related products and services (together, the “**Products and Services**”).

Unless otherwise stated, any reference in this Franchise Disclosure Document to “**Franchised Business**” or “**Salty Dawg Franchise**” is applicable to a Salty Dawg Pet Salon Business. The Franchised Business operates from a single location and facility we approve (“**Approved Location**”) and provide professional pet grooming and retail sales of various pet merchandise at the Approved Location.

Franchisees are required to sign our franchise agreement for the Franchised Business. Our current form of franchise agreement is attached to this Franchise Disclosure Document as **Exhibit B** (“**Franchise Agreement**”).

You will typically lease your Approved Location, which will normally range between 1,000 to 2,500 square feet in size, with the average size being approximately 1,700 square feet.

If you qualify, we may allow you to sign the Multi-Unit Option Agreement which is attached to this Franchise Disclosure Document as **Exhibit C** and develop a designated number of Franchised Businesses under the SD Marks. Under A Multi-Unit Option Agreement, you will have the right to open two or more Franchised Businesses in accordance with a specified development schedule.

## Market and Competition

The target market for the Products and Services consists primarily of enthusiastic pet owners looking for a higher-end pet salon experience or savory treats for their pets. The Products and Services are not seasonal in nature. The general market for pet grooming, pet treats, and pet merchandise is highly developed and competitive. As a Franchised Business, you will compete with other grooming companies and pet stores. The industry is highly competitive. You will compete against national chains, regional chains, and independent owners. Some of these competitors are franchised.

## Industry Specific Regulations

You must obtain all necessary permits, licenses, and approvals to operate your Franchised Business. Most states and localities have specific laws and regulations covering business that provide dog related services that may affect your Franchised Business, including requirements with respect to facility inspections and licensing. In addition, your Franchised Business may be prohibited from operating in certain areas due to local zoning restrictions. Also, many municipalities have noise ordinances that may be applicable to your Franchised Business. Federal and state septic and waste disposal regulations may also be applicable. There may be other laws, rules, regulations and ordinances with may apply to the operation of your Franchised Business, including those which: (a) require a permit, certificate, or other license; (b) establish general standards, specifications, and requirements for the construction, design, and maintenance of the Franchised Business site and premises; (c) regulate matters affecting the health, safety, and welfare of your customers, such as general health and sanitation requirements, restrictions on smoking and exposure to tobacco smoke or other carcinogens, availability of and requirements for public accommodations, including restroom facilities and public access; (d) set standards pertaining to employee health and safety; (e) set standards and requirements for fire safety and general emergency preparedness; or (f) require facility inspections and licensing.

In addition, state laws and/or regulations may place limits on the retail price of services offered at the Approved Location.

You should consult with a legal advisor about whether these or other requirements apply to your Franchised Business. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

## **ITEM 2. BUSINESS EXPERIENCE**

### Chief Execution Office – Sally Facinelli, CFE

Sally Facinelli has served as our Chief Executive Officer since July 2024. She previously served as the President of Salty Dawg, LLC, our predecessor from July 2023 through July 2024. Ms. Facinelli is also the founder of Fresh, LLC, located in Encinitas, California, which was formed in September 2013.

### John T. Hewitt: 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.

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### ITEM 3. LITIGATION

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

**Pending Actions:**

*There are no pending actions.*

**Concluded Actions:**

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.

Rose Mauro, individually and on behalf of all others similarly situated v. Liberty Tax, Inc. Edward L. Brunot. John T. Hewitt, and Kathleen Donovan, (Case No. 18 CV 245) filed on January 12, 2018 in the United States District Court for the Eastern District of New York. Plaintiff filed a securities class action asserting violations of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants and a second count for violations of Section 20(a) of the Exchange Act against the individual defendants. According to the complaint, throughout the class period, Liberty Tax, Inc. allegedly issued materially false and misleading statements and/or failed to disclose that: (1) Hewitt created an inappropriate tone at the top; (2) the inappropriate tone at the top led to ineffective entity level controls over the organization; and (3) as a result, defendants' statements about the operations and prospects were materially false and misleading and/or lacked a reasonable

basis at all relevant times. This case was consolidated with the *Patrick Beland* matter listed below and then further information on this case is reported below under the caption *In Re: Liberty Tax, Inc., Securities Litigation* Case No. 27 CV 07327 (E.D.N.Y.).

*Patrick Beland, individually and on behalf of all others, similarly, situated v. Liberty Tax, Inc., Edward L. Brunot, John T. Hewitt, and Kathleen E. Donovan,* (Case No. 17 CV 7327) filed on December 15, 2017 in the United States District Court for the Eastern District of New York. Plaintiff filed a securities class action asserting violations of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants and a second count for violations of Section 20(a) of the Exchange Act against the individual defendants. According to the complaint, throughout the class period, Liberty Tax, Inc. allegedly issued materially false and misleading statements and/or failed to disclose that: (1) Hewitt created an inappropriate tone at the top; (2) the inappropriate tone at the top led to ineffective entity level controls over the organization; and (3) as a result, defendants' statements about the business, operations and prospects were materially false and misleading and/or lacked a reasonable basis at all relevant times.

The two above referenced shareholder actions were consolidated under the caption *In Re: Liberty Tax, Inc., Securities Litigation*, (Case No. 27 CV 07327) (E.D.N.Y.). On June 12, 2018, the Lead Plaintiff, IBEW Local 98 Pension Fund, filed its Consolidated Class Action Amended Complaint, which removed Ed Brunot as a defendant and added additional securities claim based on Section 14(a) of the Exchange Act and Rules 14-a3 and 14a-9. The Consolidated Amended Class Action Complaint, among other things, asserted that LT Inc.'s SEC filings over a multi-year period failed to disclose the alleged misconduct of the individual defendants and that disclosure of the alleged misconduct caused LT Inc.'s stock price to drop and, thereby harm the purported class of shareholders. The Class Period is alleged to be October 1, 2013 through February 23, 2018. The defendants filed a joint motion to dismiss the Consolidated Amended Class Action Complaint on September 17, 2018. The Lead Plaintiff served their opposition on November 1, 2018 and the defendants filed their reply brief on November 27, 2018. A mediation took place on November 12, 2018 but did not result in a resolution. On January 16, 2020, the case was dismissed for failure to state a claim. The Plaintiff filed a Notice of Appeal on February 19, 2020. The dismissal was affirmed on appeal.

*Kenneth Martin et al. v JTH Tax, Inc. d/b/a Liberty Tax Service, John Hewitt and Danny Hewitt,* (Case No. 9:10-3016-CWH) filed on November 22, 2010 in the U.S. District Court for the District of South Carolina. The plaintiffs, former clients of two Liberty Tax franchised offices, filed suit claiming that, pursuant to a plan or scheme, JTH fraudulently increased their tax refunds when preparing their income tax returns. The plaintiffs brought the case as a class action seeking to represent all Liberty Tax customers that were charged additional fees for the filing of schedules or forms which accompanied a federal income tax return, but the Court denied class action status in February 2013. The plaintiffs also brought a RICO claim against John and Danny Hewitt individually, a breach of contract claim against us, a breach of fiduciary duty claim against us, and an unjust enrichment claim against all defendants. The plaintiffs sought at least \$5,000,000 in actual damages, treble damages under the RICO claim, punitive damages against us, restitution against all defendants, reasonable attorney's fees, accountants' fees, experts' fees, costs, and an incentive payment to the class representatives.

In January 2011, JTH filed an answer denying these claims and filed third-party claims against Annie Fuller, a former Liberty Tax franchisee, claiming that she had committed defamation by providing false information to the plaintiffs' attorneys and possibly others about JTH, breached her franchise agreement and a purchase and sale agreement, and that she owed indemnity. JTH also asked for declaratory judgment finding that, as a result of Fuller's breaches, it had no further duty to pay sums to her from a purchase and sale agreement and should be refunded monies already paid. On May 31, 2011, Fuller filed a counterclaim against JTH alleging that JTH breached a purchase and sale agreement, breached the purchase and sale agreement with a fraudulent intent, violated the Virginia Retail Franchising Act, and breached her franchise agreement. Fuller sued for unspecified damages, costs, and attorney's fees. JTH denied the allegations. The Court granted summary judgment for Danny Hewitt on all claims and for John Hewitt on unjust enrichment. In June 2013, the plaintiffs and Liberty settled all remaining matters in controversy with Liberty agreeing to pay the plaintiffs \$300,000. The plaintiffs signed releases and, on June 28, 2013, all claims were dismissed with prejudice. In May 2013, both Fuller and Liberty dismissed their claims without prejudice.

*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 *K&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.

### **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 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 information is required to be disclosed in this Item.

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## ITEM 5. INITIAL FEES

### Single-Unit Initial Franchise Fee

You must pay us an initial franchise fee (“**Initial Franchise Fee**”) when you sign the Franchise Agreement. The Initial Franchise for a single franchise is \$40,000. The Initial Franchise Fee includes the tuition (but not the travel expenses) for two (2) individuals you designate to attend our proprietary initial training program. The Initial Franchise Fee is due in full at the time you sign the Franchise Agreement(s), is non-refundable, and is deemed fully earned by us once paid. During our last fiscal year ending September 30, 2023, we did not sell any single unit franchises.

### Multi-Unit Option Fee

We offer multi-unit development packages if you purchase two or more Franchised Businesses by signing the Multi-Unit Option Agreement and paying an option fee (“**Option Fee**”). For each additional Franchised Business purchased after the first, the Initial Franchise Fee will be discounted. The Initial Franchise Fee for the first Franchised Business is \$40,000. The Initial Franchise Fee for additional Franchised Businesses is \$30,000. You must pay us the total Option Fee in the chart below based on the number of Franchised Businesses you agree to develop and operate at the time you sign the Multi-Unit Option Agreement.

<b>Number of Franchised Businesses</b>	<b>Amount Due at Signing</b>
1	\$40,000
2	\$70,000
3	\$100,000
4	\$130,000
5 or more	\$130,000 plus \$30,000 multiplied by the number of Franchised Businesses above 4

The schedule for opening each Franchised Business under a Multi-Unit Option Agreement will be set forth in the Multi-Unit Option Agreement. To open additional Franchised Businesses under the Multi-Unit Option Agreement, you will be required to sign the then-current Franchise Agreement, but you will not be required to pay any additional Initial Franchise Fee (all other fees will apply). The Option Fee is payable when you sign your Multi-Unit Option Agreement, and is nonrefundable under any circumstances, even if you fail to open any Franchised Businesses. During our last fiscal year ending September 30, 2023, we sold one Multi-Unit Option Agreement for three Franchised Businesses and collected an Option Fee of \$99,500.

## VetFran

To honor those men and women who have served in the U.S. military, the Veterans Transition Franchise Initiative, known as “VetFran,” was developed to help those individuals’ transition to civilian life. This initiative is a voluntary effort of International Franchise Association (IFA) member-companies and is designed to encourage franchise ownership by offering financial incentives to honorably discharged veterans. We offer a \$5,000 discount of the Initial Franchise Fee for the first Franchised Business to individuals who qualify under VetFran.

## Other Discounts

We currently offer a limited time discount to existing franchisees of our affiliate Zoomin Groomin, whereby they pay a discounted Initial Franchise Fee of \$10,000 for their first Salty Dawg franchise. This discount is an introductory offer only, is only valid through this disclosure document, and will expire no later than April 30, 2025. We may also offer other 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 stated in this Item 5, our fees are uniformly imposed and nonrefundable.

### **ITEM 6 OTHER FEES**

<b>Type of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee (Note 2)	The Royalty Fee is the greater of 8% of Gross Revenues (Note 3) or the Minimum Royalty	Payable Monthly	The “Royalty Fee” is based on “Gross Revenues” during the previous month. Payable via automatic electronic transfer to Franchisor.
Minimum Royalty	\$1,000 per month	Payable Monthly (if applicable)	This Minimum Royalty is an alternative royalty assessed if your Royalty Fee in any given month is less than \$1,000, and/or if your Franchised Business is not yet open after more than one after you sign the Franchise Agreement.

Regional Marketing Fund Contribution	The Regional Marketing Fund Contribution is 2% of previous week's Gross Revenue.	On or before the 5th of each month, following the month during which the revenues were generated.	Local, regional, or national advertising and support to promote the brand.
Local Marketing	2% of Gross Revenues	As incurred	Payable to vendors. We recommend you spend at least this amount on local media marketing efforts throughout the year.
Grand Opening Advertising	A minimum of \$5,000	As incurred; advertising must commence at least 60-90 days before opening	Payable to vendors. This amount is spent by you in your local media market. We suggest spending \$5,000 to \$15,000.
Technology Fee	Our then current fee (presently, \$125 per month)	Payable monthly	(Note 4)
Customer Relationship Management ("CRM" and Point of Sale ("POS") Systems	The then-current fee charged by our designated third party vendor (presently, \$363 per month plus per transaction credit card processing fees, if applicable)	Payable monthly	(Note 5)
Third-Party Vendors and Suppliers	Varies.	Varies	We have the right to require franchisees to use third-party vendors and suppliers as we designate or issue specifications for required products or services. Vendors and suppliers will bill franchisees directly; however, we have the power (not the obligation) to pay these fees directly and collect the same from you. (See Item 8)

Alternative supplier evaluation fee	\$100 to \$500 per evaluation.	Before we begin our evaluation	Optional. Payable to Franchisor. See Item 8.
Additional Training Fees	\$400 per day plus travel, meal, accommodation expenses, and additional expenses related to training	As incurred, before the training	Franchisor will provide training for up to two (2) people at no additional charge. This fee must be paid to Franchisor for additional people.
Late Reporting Fee	\$100 per occurrence and \$100 per week until the report or financial report is submitted	As incurred	Franchisor may charge this amount if you fail or refuse to provide required reports to us.
Relocation Fee	Reimbursement of our costs	Upon relocation	You may not relocate without our approval. You must reimburse us for our costs if you relocate your Franchised Business. There are various other conditions you must meet for us to approve your request.
Audit Fees	All costs and expenses related to the audit	As invoiced	Payable only if our audit shows an understatement or overstatement in amounts of at least 3%.
Transfer Fee (Note 6)	\$10,000	At the time of Transfer	Payable to Franchisor.
Successor Franchise Fee	\$10,000	After the end of the Initial Term of your Franchise Agreement and upon execution of Successor Franchise Agreement	Payable to Franchisor.

Late Fees or Interest	18% per year or the highest rate allowed by law, whichever is more	On demand	Payable to Franchisor.
Insurance premiums	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	On demand	Payable only if you fail to maintain insurance coverage and we elect to obtain coverage for you.
Non-compliance fee	\$500 per occurrence, plus \$250 per week until in compliance	As incurred	Payable to Franchisor for any instance of non-compliance with the System Standards or the Franchise Agreement (other than Franchisee's non-payment of a fee owed to Franchisor) if Franchisee fails to cure after 15 days; notice. Further, Franchisor may charge \$250 per week until Franchisee is in compliance. This is in addition to other remedies.
Cost of Enforcement	All court costs and reasonable attorney fees and costs incurred by Franchisor in connection with the enforcement of the FA	As incurred by Franchisor	Payable to Franchisor. Payable only if Franchisor feels it must engage an attorney to address Franchisee's conduct or defend a suit by Franchisee.
Indemnification	All costs including attorneys' fees	As incurred by or levied against the Franchisor	You must defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business.

Notes:

1. **Fees.** Unless otherwise stated, all fees paid to us or our affiliates are uniform across all franchisees and non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us and our affiliates via electronic funds transfer (“**EFT**”) or other similar means. You are required to complete the EFT / ACH authorization (in the form attached to this Franchise Disclosure Document in **Exhibit F**). We can require an alternative payment method or payment frequency for any fees or

amounts owed to us or our affiliates under the Franchise Agreement. If you enter into a Multi-Unit Agreement to operate multiple Franchised Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each Franchised Business. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

2. Royalty Fee. Your obligation to pay the Royalty Fee will commence immediately; however, the Minimum Amount will not apply until the earlier of: (i) your Franchised Business opens for business to the general public or (ii) one year after you sign the Franchise Agreement.
3. Gross Revenues Definition. The Royalty Fee is calculated based on Gross Revenues. The term “**Gross Revenues**” means the total selling price of all services and products sold and accrued at, from, or through your Franchised Business, whether or not sold or performed at or from your Franchised Business, and all income and revenue of every other kind and nature related to the Franchised Business operation, whether for cash or credit, and regardless of collection in the case of credit (See Franchise Agreement, Definitions section, for a complete definition of Gross Revenues).
4. Technology Fee. Pricing for the Technology Fee is set by us and is not calculated based on the precise price of any specific service; however, it is intended to reimburse us for expenses we reasonably incur in providing each franchisee with an e-mail address and phone number for their Franchised Business, and our expenses incurred in creating and maintaining certain web-based systems that serve as a resource for our franchisees. We will use commercially reasonable judgment in setting this price. We reserve the right to increase this fee as reasonably required by us as technology advances and the cost of providing this technology increases. This Technology Fee is separate from the CRM and POS fees.
5. CRM and POS Fee. You are required to utilize a customer relationship management (“CRM”) system with scheduling functionality in the operation of your Franchised Business. Likewise, you will need a point-of-sales (“POS”) system with the ability to process customer payments in the operation of your Franchised Business. Scheduling appointments and accepting payment is an essential part of your business. You will utilize the designated CRM and POS vendor(s) and if you do not pay their fee when due, we have the right to pay the fee on your behalf and collect the same from you. We also reserve the right to enter into an agreement directly with the current CRM and POS vendor(s), or any other CRM and POS vendor(s) offering a substantially similar product, whereby we pay a negotiated fee directly to them and collect the same from you. The CRM and POS fees are separate from the Technology Fee.
6. Transfer Fee. No Transfer Fee is required if you transfer your Franchised Business to a corporation in which you are the majority equity holder, or if you transfer the Franchised Business to your child, parent, sibling, or spouse. In all other cases, you must pay a Transfer Fee of \$10,000.

**ITEM 7. ESTIMATED INITIAL INVESTMENT  
YOUR ESTIMATED INITIAL INVESTMENT  
SINGLE-UNIT FRANCHISE**

Type of Expenditure (*)	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$40,000	\$40,000	Lump Sum	Upon Signing of Franchise Agreement	Franchisor
Pre-Opening Training Travel and Lodging Expenses	\$1,500	\$5,000	As required by the vendor	As Incurred	Airlines, Hotels, Restaurants, etc.
Real Property – Purchased or Leased <sup>(2)</sup>	\$5,000	\$18,650	As negotiated with the seller or landlord	As Invoiced	Seller or Landlord; Broker
Equipment, Fixtures and Furnishings <sup>(3)</sup>	\$65,000	\$110,000	As negotiated with the vendor	As Invoiced	Vendors or Third Parties
Construction and Remodeling <sup>(3)</sup>	\$50,000	\$195,000	As negotiated with the vendor	As Invoiced	Vendors or Third Parties
Inventory to Begin Operating <sup>(4)</sup>	\$5,000	\$20,000	As required by the vendor	Two months before opening	Vendors or Third Parties
Utility Deposits and Fees	\$500	\$2,000	As required by the vendor	Two months before opening.	Vendors or Third Parties
Business and Other Licenses <sup>(5)</sup>	\$500	\$1,500	As required by issuers	As Invoiced	Vendors or Third Parties
Signage <sup>(6)</sup>	\$5,000	\$9,300	As required by the vendor	As Invoiced	Vendors or Third Parties
Wages for Employees <sup>(7)</sup>	\$0	\$3,000	Direct Deposit or Check	Pay Period	Employees
Legal and Accounting Fees <sup>(8)</sup>	\$250	\$10,000	As required by the vendor	As Invoiced	Vendors or Third Parties
Pre-Opening Advertising	\$5,000	\$15,000	As required by the vendor	As Invoiced	Vendors or Third Parties

Insurance <sup>(9)</sup>	\$1,500	\$4,000	As required by the vendor	As Invoiced	Vendors or Third Parties
Computer system, tablets, phone system and POS <sup>(10)</sup>	\$1,000	\$2,500	As required by the vendor	As Invoiced	Vendors or Third Parties
Additional Funds (initial 3 months) <sup>(11)</sup>	\$5,000	\$25,000	Varies	As Incurred	Vendors, Third Parties, Employees,
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b> <sup>(12)</sup>	<b>\$185,250</b>	<b>\$460,950</b>			

**Notes:**

\*These estimated initial expenses reflect our current best estimate of the costs you may incur in establishing and operating your Franchised Business. Our estimates are based on our experience, the experience of our owners and our officers, the experience of our affiliates, and our current requirements for Franchised Businesses. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Franchised Business may be greater or less than the estimates given, depending upon the location of your Franchised Business, and current relevant market conditions. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to vendors or third parties are non-refundable, except as you may arrange for utility deposits and other payments, or as otherwise negotiated in your agreements between you and the vendor or third party.

1. Initial Franchise Fee. See ITEM 5 for additional information about your Initial Franchise Fee.
2. Rent or Real Estate Real Property – Purchased or Leased. You must lease or otherwise acquire a suitable facility for the operation of your Franchised Business. You will typically lease your Approved Location, which will normally range between 1,000 to 2,500 square feet in size, with the average size being approximately 1,500 to 1,700 square feet. Our estimate includes the cost of your security deposit and the first and last months' rent payment. Your actual rent payments may vary depending upon your location and your market's retail lease rates. If you purchase instead of lease the premises for your Franchised Business, then the purchase price, down payment, interest rates, and other financing terms will determine your monthly mortgage payments. It is extremely difficult to estimate lease (defined below) rates or acquisition costs because of the wide variations that depend upon the square footage, location, economic climate, prevailing interest rates and other financing costs, the conditions of the property and other physical characteristics of your site. You

should investigate all these costs in the area where you wish to establish your Franchised Business.

3. Equipment/Supplies/Improvements/Conversions.

*Equipment, Supplies, Furnishing, and Fixtures.*

This estimate includes the cost to purchase the equipment and supplies necessary to begin operating a Salty Dawg Franchised Business, including furniture, fixtures, retail inventory, storage, supplies, uniforms, equipment, art, promotional items, forms, and other supplies we determine are necessary or important. Note that we require you to use our designated suppliers for personnel and owner apparel, grooming tables, dryers, dog crates, dog pens, and wall art, and other products and services. Other products and services that are required need not be purchased from a specific vendor including furniture and storage.

*Construction and Remodeling.*

The cost of building out and constructing your Franchised Business will vary significantly based on the geographic location and square footage of your Franchised Business, and depends upon the size and condition of the premises, including whether the landlord will provide tenant improvement allowances, the nature and the extent of leasehold improvements required, local cost of contract work, and the location of your Franchised Business. Tenant improvement allowances vary widely. Our estimates include the construction modifications commonly encountered including demolition, concrete repair, insulation, roof repair, doors and hardware, partition walls, acoustical ceilings, flooring, painting, installation of fixtures, cabinets, plumbing, HVAC, electrical, fire alarm, security system, and exterior fencing.

*Equipment - Grooming Tools.*

This estimate is for specific grooming tools required to properly groom dogs and cats. These tools are required to be purchased and maintained by the franchisee for employee use.

4. Opening/Initial Inventory. Your initial inventory and supplies must be purchased from our approved or designated suppliers. Your initial inventory must consist of various Approved Products and Services used in the operation of your Franchised Business, as well as other merchandise, products or supplies offered for sale in your Franchised Business, as designated by us. The initial inventory expenditure will vary according to the square footage of your Franchised Business and current market prices for products and supplies. Approved Products and Services and all supplies must be purchased from our approved or designated suppliers. We may specify different or additional exclusive suppliers in our Guide in the future.

5. Business and Other Licenses. Various federal, state, and local laws and regulations may apply to providing Pet Grooming and Pet Groom Training services, for example: general business and tax licenses, zoning and construction laws, or noise ordinances. You may

need to obtain one or more license, zoning variances, or similar entitlements from one or more government agencies. At present, we are not aware of any state that has licensing requirements for a Pet Groomer.

6. Signage. You must use our approved or designated vendor for the production and installation of the sign. The type and design of the illuminated sign must be approved by us.
7. Employee Wages. This estimate includes the cost of employee payroll (but not a draw or salary for you), from time of lease execution and zoning approval to opening.
8. Legal and Accounting. This estimate includes legal and accounting expenses for negotiating your Franchise Agreement, your lease, or other legal contracts, and business entity organization expenses during the business entity formation period.
9. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Franchised Business, your rates may be significantly higher than those estimated above. These amounts represent our estimate of the amount needed to cover your insurance expenses for the initial three (3) month start-up phase of your Franchised Business.
10. Computer Hardware and Software. The estimated initial investment includes costs related to the purchase of specified computer hardware, software and web cameras, along with a license for the software, which also includes technical support. All computer hardware and software must be purchased from our approved or designated suppliers. You must subscribe to and use the software program(s) we designate for the computer management operations of your Franchised Business. You will pay our designated vendor the monthly fee for the software program(s) and the cost is subject to change at our discretion. You must provide us with real-time access to certain information.
11. Additional Funds (initial 3 months). These amounts represent our estimate of the amount needed to cover your expenses for the initial three (3)-month start-up phase of your Franchised Business. They include payroll costs during the first three (3) months of operation, but not any draw or salary for you. These figures do not include standard pre-opening expenses, Royalty Fees, or Advertising Fund Fees payable under the Franchise Agreement, or debt service, and assume that none of your expenses are offset by any sales generated during the start-up phase. For purposes of this disclosure, we estimated the start-up phase to be six (3) months. Additional funds for the operation of your Franchised Business will be required after the first three (3) months of operation if sales produced by the Franchised Business are not sufficient to produce positive cash flow.
12. Figures May Vary. This is an estimate of your initial start-up expenses for one (1) Franchised Business.

**MULTI-UNIT OPTION AGREEMENT  
FOR TWO TO FIVE FRANCHISED BUSINESSES**

Type of Expenditure (*)	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Option Fee <sup>(1)</sup>	\$70,000	\$160,000	Lump Sum	Upon Signing of Franchise Agreement	Franchisor
Pre-Opening Training Travel and Lodging Expenses	\$1,500	\$5,000	As Invoiced	As Invoiced	Airlines, Hotels, restaurants, etc.
Acquisition of Real Property – Purchased or Leased <sup>(2)</sup>	\$5,000	\$18,650	As Invoiced	As Invoiced	Vendors or Third Parties
Equipment <sup>(3)</sup>	\$65,000	\$110,000	As Invoiced	As Invoiced	Vendors or Third Parties
Furnishings <sup>(3)</sup>	\$50,000	\$195,000	As Invoiced	As Invoiced	Vendors or Third Parties
Fixtures <sup>(3)</sup>	\$15,000	\$20,000	As Invoiced	As Invoiced	Vendors or Third Parties
Construction and Remodeling <sup>(3)</sup>	\$500	\$2,000	As Invoiced	As Invoiced	Vendors or Third Parties
Inventory to Begin Operating <sup>(4)</sup>	\$500	\$1,500	As Invoiced	As Invoiced	Vendors or Third Parties
Utility Deposits and Fees	\$5,000	\$9,300	As Invoiced	As Invoiced	Vendors or Third Parties
Business and Other Licenses <sup>(5)</sup>	\$0	\$3,000	As Invoiced	As Invoiced	Vendors or Third Parties
Signage <sup>(6)</sup>	\$250	\$10,000	As Invoiced	As Invoiced	Vendors or Third Parties
Wages for Employees <sup>(7)</sup>	\$5,000	\$15,000	Direct Deposit or Check	Pay Period	Employees
Legal and Accounting Fees <sup>(8)</sup>	\$1,500	\$4,000	As Invoiced	As Invoiced	Vendors or Third Parties
Pre-Opening Advertising	\$1,000	\$2,500	As Invoiced	As Invoiced	Vendors or Third Parties
Insurance <sup>(9)</sup>	\$5,000	\$25,000	As Invoiced	As Invoiced	Vendors or Third Parties

Computer system and POS <sup>(10)</sup>	\$1,500	\$5,000	As Invoiced	As Invoiced	Vendors or Third Parties
Additional Funds (initial 3 months) <sup>(11)</sup>	\$5,000	\$18,650	As Incurred	As Incurred	Multiple Outlets
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b> <sup>(12)</sup>	<b>\$231,750.00</b>	<b>\$604,600</b>			

**Notes:**

\*These estimated initial expenses reflect our current best estimate of the costs you may incur in establishing and operating your Franchised Business. Our estimates are based on our experience, the experience of our owners and our officers, the experience of our affiliates, and our current requirements for Franchised Businesses. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Franchised Business may be greater or less than the estimates given, depending upon the location of your Franchised Business, and current relevant market conditions. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to vendors or third parties are non-refundable, except as you may arrange for utility deposits and other payments, or as otherwise negotiated in your agreements between you and the vendor or third party.

1. Option Fee. You may also purchase the rights to open additional Franchised Businesses by signing the Multi-Unit Option Agreement and paying an option fee (“**Option Fee**”). The Option Fee depends on the number of Franchised Businesses you desire to purchase, as set forth in Item 5. The low end of this estimate assumes an option to purchase two Franchised Businesses, and the high end of this estimate assumes an option to purchase five Franchised Businesses. The Option Fee is payable when you sign your Multi-Unit Option Agreement, and is nonrefundable under any circumstances, even if you fail to open any Franchised Businesses. Other than the Option Fee, this estimate does not include the costs associated with opening a second and any subsequent locations which will incur additional costs.
2. Rent or Real Estate Real Property – Purchased or Leased. You must lease or otherwise acquire a suitable facility for the operation of each Franchised Business unit. You will typically lease each Approved Location, which will normally range between 1,000 to 2,500 square feet in size, with the average size being approximately 1,500 to 1,700 square feet. Our estimate includes the cost of your security deposit and the first and last months’ rent payment for each unit. Your actual rent payments may vary depending upon each location and your market’s retail lease rates. If you purchase instead of lease the premises for a Franchised Business unit, then the purchase price, down payment, interest rates, and other financing terms will determine your monthly mortgage payments. It is extremely difficult to estimate Lease (defined below) rates or acquisition costs because of the wide variations that depend upon the square footage, location, economic climate, prevailing interest rates and other financing costs, the conditions of the property and other physical characteristics

of your site. You should investigate all these costs in any area where you wish to establish a store.

3. Equipment/Supplies/Improvements/Conversions.

*Equipment, Supplies, Furnishing, and Fixtures.*

This estimate includes the cost to purchase the equipment and supplies necessary to begin operating a Salty Dawg Franchise, including furniture, fixtures, retail inventory, storage, supplies, uniforms, equipment, art, promotional items, forms, and other supplies we determine are necessary or important. Note that we require you to use our designated suppliers for Personnel and owner apparel, grooming tables, dryers, dog crates, dog pens, and wall art, and other products and services. Other products and services that are required need not be purchased from a specific vendor including furniture and storage.

*Construction and Remodeling.*

The cost of building out and constructing your Franchised Business will vary significantly based on the geographic location and square footage of your Franchised Business, and depends upon the size and condition of the premises, including whether the landlord will provide tenant improvement allowances, the nature and the extent of leasehold improvements required, local cost of contract work, and the location of your Franchised Business. Tenant improvement allowances vary widely. Our estimates include the construction modifications commonly encountered including demolition, concrete repair, insulation, roof repair, doors and hardware, partition walls, acoustical ceilings, flooring, painting, installation of fixtures, cabinets, plumbing, HVAC, electrical, fire alarm, security system, and exterior fencing.

*Equipment - Grooming Tools.*

This estimate is for specific grooming tools required to properly groom dogs and cats. These tools are required to be purchased and maintained by the franchise for employee use.

4. Opening/Initial Inventory. Your initial inventory and supplies must be purchased from our approved or designated suppliers. Your initial inventory must consist of various Approved Products and Services used in the operation of your Franchised Business, as well as other merchandise, products or supplies offered for sale in your Franchised Business, as designated by us. The initial inventory expenditure will vary according to the square footage of your Franchised Business and current market prices for products and supplies. Approved Products and Services and all supplies must be purchased from our approved or designated suppliers. We may specify different or additional exclusive suppliers in our Guide in the future.
5. Business and Other Licenses. Various federal, state, and local laws and regulations may apply to providing Pet Grooming and Pet Groom Training services, for example: general

business and tax licenses, zoning and construction laws, or noise ordinances. You may need to obtain one or more license, zoning variances, or similar entitlements from one or more government agencies. At present, we are not aware of any state that has licensing requirements for a Pet Groomer.

6. Signage. You must use our approved or designated vendor for the production and installation of the sign. The type and design of the illuminated sign must be approved by us.
7. Employee Wages. This estimate includes the cost of employee payroll (but not a draw or salary for you), from time of lease execution and zoning approval to opening.
8. Legal and Accounting. This estimate includes legal and accounting expenses for negotiating your Franchise Agreement, your lease, or other legal contracts, and business entity organization expenses during the business entity formation period.
9. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Franchised Business, your rates may be significantly higher than those estimated above. These amounts represent our estimate of the amount needed to cover your insurance expenses for the initial three (3) month start-up phase of your Franchised Business.
10. Computer Hardware and Software. The estimated initial investment includes costs related to the purchase of specified computer hardware, software and web cameras, along with a license for the software, which also includes technical support. All computer hardware and software must be purchased from our approved or designated suppliers. You must subscribe to and use the software program(s) we designate, for the computer management operations of your Franchise. You will pay our designated vendor the monthly fee for the software program(s) and the cost is subject to change at our discretion. You must provide us with real-time access to certain information.
11. Additional Funds (initial 3 months). These amounts represent our estimate of the amount needed to cover your expenses for the initial three (3)-month start-up phase of your Franchised Business. They include payroll costs during the first three (3) months of operation, but not any draw or salary for you. These figures do not include standard pre-opening expenses, Royalty Fees, or Advertising Fund Fees payable under the Franchise Agreement, or debt service, and assume that none of your expenses are offset by any sales generated during the start-up phase. For purposes of this disclosure, we estimated the start-up phase for your first unit to be three (3) months. Additional funds for the operation of your Franchised Business will be required after the first three (3) months of operation if sales produced by the Franchised Business are not sufficient to produce positive cash flow.
12. Figures May Vary. This is an estimate of your initial start-up expenses for your first Franchised Business under the Franchise Agreement you must enter into with us at the

same time as the execution of your Multi-Unit Option Agreement for the development of two (2) or more Franchised Businesses.

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

### Standards and Specifications

To ensure the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications we list in our proprietary and confidential operating Guide, which may exist in various parts, locations, and formats, and may include a combination of audio, video, written material, electronic media, website content, and/or software components. The operational and Franchise aspects of a Salty Dawg Pet Salon franchise are contained within our confidential Salty Dawg Pet Salon Guide.

You must not: (i) deviate from these methods, standards, and specifications without our prior written consent, or (ii) otherwise operate in any manner which reflects adversely on our SD Marks or the Franchise System. Our Guide states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Franchised Business. You must manage all customer complaints and requests for returns in a manner that will not detract from the name and goodwill of Salty Dawg Pet Salon.

We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Guide or through written communication (including electronic communication). We will issue copies of our standards and specifications to you and approved and proposed suppliers.

You must purchase, install, maintain in sufficient supply, and use, only fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Guide or otherwise in writing.

You must not use, offer, or sell any products or services in connection with your Franchised Business that do not meet our Franchise System standards and specifications, or that we have discontinued or otherwise notified you that you are no longer able to use or offer in connection with your Franchised Business. If you wish to offer any product or service in your Franchised Business other than our approved products and services, or use any item in connection with your Franchised Business that does not meet our Franchise System standards and specifications, you must obtain our prior written approval as described more fully in this Item 8.

You must use the computer hardware and software, including the point-of-sale system that we periodically designate to operate your Franchised Business. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify. You must obtain the insurance coverage required under the Franchise Agreement. The insurance company must be authorized to do business in the state where your Franchised Business is located and must be approved by us. It must also be rated "A" or better by A.M. Best & Company, Inc. We may periodically increase the amounts of

coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties.

You must obtain the minimum amount of insurance coverage that we require to operate your Franchised Business. As of the Issuance Date of this Franchise Disclosure Document, you must have the following insurance coverage:

1. General liability insurance with minimums of \$1,000,000 per occurrence, \$2,000,000 general and products/completed operations aggregate, \$1,000,000 personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses. The policy must include additional insured, waiver of subrogation, primary and noncontributory provisions, and be occurrence-based. It must be provided by an A- VII or higher AM Best-rated admitted carrier. Stop-gap coverage is required for applicable monopolistic states.
2. Pet groomers professional liability insurance with minimum coverage limits of \$1,000,000 per occurrence and \$2,000,000 aggregate.
3. Franchise commercial auto insurance with a \$1,000,000 combined single limit, covering uninsured/underinsured motorists, owned, (if applicable) hired, and non-owned autos. Policies must include additional insured, waiver of subrogation, and primary/noncontributory provisions, provided by an A- VII or higher AM Best-rated carrier.
4. Workers compensation with coverage limits of \$1,000,000 for bodily injury by disease per accident, \$1,000,000 policy limit, and \$1,000,000 per employee. The policy must be in place regardless of state laws and cannot exclude owner-operators. It must also include uninsured independent contractors and a waiver of subrogation. The insurance carrier must be rated A- VII or higher by AM Best to ensure financial stability and reliability.
5. Property/business interruption insurance with coverage for business personal property ( $\geq$  \$85,000 full replacement cost value), tenant improvements ( $\geq$  \$40,000 full replacement cost value), business interruption (12 months ALS), including franchisor royalties. The insurance carrier must be rated A- VII or higher by AM Best.
6. Employment practices liability insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate. The policy should include 3rd party liability and wage & hour coverage of at least \$25,000. The maximum deductible should not exceed \$10,000.

In addition to the required insurances listed above, we also recommend each franchisee obtain the following insurance coverage:

1. Umbrella insurance with \$1,000,000 per occurrence and \$1,000,000 aggregate, providing excess coverage over General Liability. Policies must be from an A- VII or higher AM Best-rated carrier.
2. Cyber liability insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate.
3. Crime insurance with the minimum coverage limits of \$100,000 each claim, including third party coverage on a loss discovered form.
4. Build-out insurance with suggested coverage limits equivalent to the full replacement cost value for both hard costs and soft costs.

We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time.

### Required Purchases and Right to Derive Revenue

We have the right to require you to purchase or lease certain products or services necessary to operate your Franchised Business from our approved or designated suppliers by updating the Guide. The products or services we require you to purchase or lease from an Approved Supplier or purchase or lease in accordance with our standards and specifications currently consist of: Master Grooming training for the local team, retail pet products for sale, pet grooming products needed to perform services, and pet food and pet treats for sale. These products or services are referred to collectively as your “**Required Purchases.**”

We, or our affiliates, are the only approved supplier of Master Grooming training. We, or our affiliates, may also be the only approved supplier of retail pet products for sale, pet grooming products needed to perform services, and pet food and pet treats for sale. To the extent that an affiliate is the only approved supplier of Master Grooming training, retail pet products for sale, pet grooming products needed to perform services, or pet food and pet treats for sale, one or more of our officers own an interest in that affiliate.

We currently have one designated third-party vendor that is currently the only approved supplier of certain pet grooming supplies for retail sale and all supplies for back bar use in your Franchised Business. We currently have one designated third-party vendor that is currently the only approved supplier of POS systems and credit card processing in your Franchised Business. Our officers do not own an interest in either of the foregoing designated third-party vendors. We may specify different or additional exclusive suppliers or vendors in our Guide at any time in the future.

We estimate that your Required Purchases will account for approximately seven percent (7%) to sixteen percent (16%) of your total costs incurred in establishing your Franchised Business, and approximately six percent (6%) to fifteen percent (15%) of your ongoing costs to operate your Franchised Business after the initial start-up phase.

Our predecessor had four franchisees as of the end of our fiscal year ending on September 30, 2023, and their revenues from franchisees’ required purchases or leases of Required Purchases were \$19,328.00, which represented 100% of our predecessor’s total revenues of \$19,328.00. In the future, we or our affiliates may receive rebates from suppliers based on your purchase of products and services, promotional allowances, volume discounts, and other payments. Certain designated suppliers may, in the future, make payments to us based on percentage of franchisee purchases. Currently, we and our affiliates do not receive rebates or other benefits from suppliers for our franchisees’ transactions with them. However, in the future, we and our affiliates may receive rebates or other benefits from supplier for our franchisees’ transactions with them.

You may request approval of an alternative supplier of Required Purchases. We do not share our criteria for evaluating suppliers with franchisees. If an alternative supplier meets our

criteria, we will allow franchisees to contract with them directly. Our approval may be revoked at any time or for any reason on thirty days' written notice to franchisee

### Purchases from Approved Suppliers

We have the right to require you to purchase any products or services necessary to operate your Franchised Business from a supplier that we approve or designate, which may include us, our affiliates, or other vendors (each an “**Approved Supplier**”). For example, we may require you to use our designated contractors or suppliers for the following items: architectural space plan, construction management consulting, flooring, signage, fencing, grooming tubs and lobby furniture. We may designate new or different mandatory contractors or suppliers for any build out service or product at any time. We will provide you with a list of our Approved Suppliers in writing as part of the Guide or otherwise in writing, and we may update or modify this list as we deem appropriate. We may develop proprietary products for use in your Franchised Business, including private-label products that bear our SD Marks, and require you to purchase these items from us or our affiliate(s).

We may provide our standards and specifications for those products and services offered by your Franchised Business (“**Approved Products and Services**”) directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as set forth more fully in this Item 8; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose. We will issue specifications to you via the Guide, and we reserve the right to modify our specifications via updates to the Guide or via other written communications to you.

### Purchasing Cooperatives and Right to Receive Compensation

We do not have purchasing and distribution co-operatives as of the Issuance Date of this Franchise Disclosure Document; however, we may negotiate alternative purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees, and we reserve the right to receive rebates on volume discounts from our purchase of products we may resell to you. We will make commercially reasonable attempts to negotiate volume purchase agreements with suppliers or purchasing cooperatives for the benefit of you and other Salty Dawg franchises; at this time, no such agreements are in place. As the franchisee base grows, we will look to use our economies of scale to secure volume discount programs with vendors in an effort to save you and other franchises money. We do not provide material benefits, such as renewing or granting additional Franchises to franchisees based on their use of designated or approved suppliers. There are no caps or limitations on the maximum rebates we may receive from our suppliers as the result of franchisee purchases.

### Approval of New Suppliers

If you desire to have a non-approved supplier of a product or service designated as an approved supplier, you must submit samples of the supplier's products or services to us, along with a written statement describing why such items, services, or suppliers should be approved for

use in the Franchise System. We reserve the right to charge a fee to evaluate the proposed supplier of approximately \$100 to \$500 per evaluation (See ITEM 6). We do not make our supplier specifications and/or standards generally available to franchisees or suppliers. We will be required to respond to a request about whether to approve a new supplier within 90 days. Our written approval must be received before you use products not purchased from an approved supplier. We may revoke our approval at any time if we determine, in our discretion, that the supplier no longer meets our standards. When you receive written notice of a revocation, you must stop selling any disapproved products, and stop purchasing from any disapproved supplier.

## ITEM 9. FRANCHISEE’S OBLIGATIONS

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

### FRANCHISE AGREEMENT

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 7 and 8.1	ITEMS 7, 11 and 12
b. Pre-opening purchases/leases	Not applicable	ITEM 11
c. Site development and other pre-opening requirements	Sections 7 and 8	ITEMS 6, 7, 8 and 11
d. Initial and ongoing training	Section 10	ITEM 6, 7 and 11
e. Opening	Sections 7 and 10	ITEM 6
f. Fees	Sections 3 and 4	ITEMS 5, 6, 7 and 11
g. Compliance with standards and policies/Guide	Sections 3 and 10	ITEMS 8, 11 and 14
h. Trademarks and proprietary information	Sections 5, 12, 13, 14 and 15	ITEMS 13 and 14
i. Restrictions on products/services offered	Not applicable	ITEMS 8, 12 and 16

j. Warranty and customer service requirements	Section 12	ITEM 15
k. Territorial development and sales quotas	Section 8	ITEMS 12 and 17
l. Ongoing product/service purchases	Section 8	ITEM 8
m. Maintenance, appearance and remodeling requirements	Sections 7 and 12	ITEMS 6, 8 and 11
n. Insurance	Section 12	ITEMS 6, 7 and 8
o. Advertising	Section 9	ITEMS 6 and 11
p. Indemnification	Sections 5, 12 and 18	ITEM 6
q. Owners' participation/management/staffing	Sections 8, 10 and 12	ITEM 15
r. Records and reports	Sections 3.6, 11, 15 and 16	ITEMS 17 and 19
s. Inspections and audits	Sections 5, 9, 11 and 12	ITEMS 6 and 11
t. Transfer	Sections 12 and 16	ITEM 17
u. Renewal	Section 4	ITEM 17
v. Post-term obligations	Sections 15, 16 and 17	ITEMS 15,16 and 17
w. Noncompetition covenants	Section 13	ITEM 17
x. Dispute Resolution	Sections 7 and 17	ITEM 17

## MULTI-UNIT OPTION AGREEMENT

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	ITEMS 7, 11 and 12
b. Pre-opening purchases/leases	Not Applicable	ITEM 11
c. Site development and other pre-opening requirements	Not Applicable	ITEMS 6, 7, 8 and 11
d. Initial and ongoing training	Not Applicable	ITEM 15
e. Opening	Section 6	ITEM 6
f. Fees	Recital B and Section 4	ITEMS 5, 6, 7 and 11
g. Compliance with standards and policies/Guide	Section 12	Item 8, 11 and 14
h. Trademarks and proprietary information	Recital A and Section 4	ITEMS 13 and 14
i. Restrictions on products/services offered	Not Applicable	ITEMS 8, 12 and 16
j. Warranty and customer service requirements	Not Applicable	ITEM 15
k. Territorial development and sales quotas	Section 6 and 8	ITEMS 12 and 17
l. Ongoing product/service purchases	Not Applicable	ITEM 8
m. Maintenance, appearance and remodeling requirements	Not Applicable	ITEMS 6, 8 and 11
n. Insurance	Not Applicable	ITEMS 6, 7 and 8
o. Advertising	Not Applicable	ITEMS 6 and 11

p. Indemnification	Not Applicable	ITEM 6
q. Owners' participation/management/ staffing	Not Applicable	ITEM 15
r. Records and reports	Not Applicable	ITEMS 17 and 19
s. Inspections and audits	Not Applicable	ITEMS 6 and 11
t. Transfer	Section 9	ITEM 17
u. Renewal	Not Applicable	ITEM 17
v. Post-term obligations	Not Applicable	ITEMS 15,16,17
w. Noncompetition covenants	Not Applicable	ITEM 17
x. Dispute Resolution	Sections 15, 17, 19	ITEM 17

## **ITEM 10. FINANCING**

We do not offer direct or indirect financing, nor do we guarantee your note, lease or obligations to third parties. We may refer you to lenders or vendors that provide or assist you with financing that you may choose to work with at your option. We do not have a written arrangement with, nor do we receive direct or indirect benefits from, these third parties if you obtain financing.

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

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

### 1. Pre-Opening Obligations

Before you open your Franchised Business, we (or our designee) will provide the following assistance services to you:

#### *Franchise Operation*

We or our representatives will provide you with the following pre-opening assistance: Make a representative reasonably available to you via telephone, video call or via e-mail during normal business hours; furnish general guidance through printed, filmed, or streamed material via web, video, or telephone conference via live meeting; through refresher training programs; or in

any other manner deemed appropriate on methods, specifications, standards, management and operating procedures and new developments and techniques in advertising, management and operations. (Section 8 of the Franchise Agreement.)

We will maintain a website for Salty Dawg and list your location and contact information on that website. (Section 8.10 of the Franchise Agreement.)

### *Franchise Site*

In limited fashion, we will assist you in acquiring or leasing an Approved Location for the Franchise. We will review your real estate documents prior to approving the site. Our review is limited to ensuring there are no terms that would prevent you from performing obligations under this Agreement. We or an affiliate will not own the site or the eventual Approved Location of the Franchise. The lease for your Approved Location must include our approved lease addendum (as set forth in Exhibit F to the Franchise Agreement).

You are required to have your own counsel review and negotiate the legal terms of the real estate document.

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining, and developing an Approved Location for your Franchised Business; and (ii) constructing, equipping, remodeling, and/or building out the Approved Location for use as a Franchised Business, all in accordance with our Franchise System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we determine is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Approved Location of your Franchised Business. In deciding whether to approve a site, we may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar products and services within the area, and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site (Section 7.1 of the Franchise Agreement).

You must submit information and materials for at least two (2) proposed sites to us for authorization no later than one hundred eighty (75) days after you have signed your Franchise Agreement. We will have 15 business days after we receive this information and materials from you to authorize or decline the proposed site as the location for the Franchised Business. If we do not provide our specific authorization of a proposed site, the site is deemed not authorized. Our Authorization only means that the site meets our minimum requirements for a Franchised Business. Before you lease or purchase the site for the Franchised Business, you must locate a site that satisfies our site selection guidelines (Sections 7.1.1 through 7.1.3 of the Franchise Agreement). If we determine that an on-site evaluation is necessary, then you must: (i) submit to

us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation.

We must approve any lease for the Approved Location before you enter into such an agreement. We may condition our approval on a number of conditions, including: (i) an agreement by you and the landlord of the Approved Location to enter into our prescribed form of collateral assignment of lease and our then-current form of lease addendum; and (ii) receiving a written representation from the landlord of the Approved Location that you will have the right to operate the Franchised Business, including the operation of a high-end pet salon providing grooming services to client's pets and selling retail pet products and other related services and products, throughout the term of your Franchise Agreement (Section 7.1.3 of the Franchise Agreement). You will also be required to provide to us computer-aided design ("CAD") and "PDF" files from the architect or contractor regarding the build-out of the Approved Location.

### *Franchise Construction*

Provide our then-current Franchise System standards and specifications for the build-out, remodeling, or construction of your Franchised Business, as well as any "template" architectural or design plans that we have previously approved or designated for use in connection with establishing a Franchised Business at the cost of \$1,000 per location (to the extent we have any) (Sections 7 and 8.1 of the Franchise Agreement).

### *Hiring and Training Employees*

Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts.

However, Franchisee alone will establish all requirements, consistent with Franchisor's policies, regarding employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees.

Franchisee may provide the Guide, or portions thereof, to Franchisee's employees who need access to perform their jobs, but only to the extent they need it, and only if they sign a non-disclosure agreement. Franchisee is responsible for its personnel's use of the Guide and for compliance with Salty Dawg's expected level of confidentiality concerning the Guide.

### *Franchise Equipment*

We will provide our list of items and equipment needed to open our Franchised Business, along with our proprietary list of Approved Suppliers for those certain items as well as any specifications concerning those items. We will do not assist in installation of these items.

## 2. Schedule for Opening

We estimate that it will take one year to open your Franchised Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules, and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment, and signs, and to complete preparation for operating the Franchised Business, including purchasing inventory and supplies (Section 7.4 of the Franchise Agreement).

## 3. Obligations During the Franchisee's Operation

During the operation of your Franchised Business, we (or our designee) will provide the following assistance and services to you:

### *Products or Services the Franchisee will offer*

We may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, teleconferences, or in person.

We may require additional training at our discretion.

We require you to attend our monthly meetings via webinar or teleconference. We also require you to attend our annual conference, in its entirety, in person. We do not charge for our annual conference; however, you must pay all travel, meal, and accommodation expenses for you and your personnel. You and your personnel in attendance are required to attend each event in the program that we provide for that Annual Conference. You may stay at the hotel or resort where the Annual Conference is hosted, unless it is in your local area. If you cannot, for whatever reason, attend the Annual Conference, you must obtain our prior written permission. You may be required to attend regional franchise conferences as well at our discretion.

We may provide additional consulting services with respect to the operation of the Franchised Business upon your reasonable request and subject to the availability of our personnel. We will make available information about new developments, techniques, and improvements in the areas of advertising, management, and operations.

### *Hiring and Training Employees*

Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone will establish all requirements, consistent with Franchisor's policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee

will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Franchised Business for which Franchisor has not established Approved Suppliers. The rendering of any consultation, advice, assistance, consent, approval or services by Franchisor, does not constitute any assurance or guaranty that such consultation, advice, assistance, consent, approval or services will result in any level of success of your business. Any Franchisor services set forth in this Franchise Agreement may be provided by us and/or representative(s) or designee(s) of ours.

### *Improving and Developing the Franchised Business*

Provide continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance through the distribution of printed or filmed material, by telephone, intranet communication or another electronic forum. We may also provide this assistance with meetings, on site visits, as we deem available and subject to the availability of our personnel. (Section 8.4 of Franchise Agreement).

Approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business, as described more fully below in this ITEM 11 under the heading “**Advertising**” (Section 8.5 of the Franchise Agreement).

Continue to loan you or make available to you on our website or intranet, one (1) copy of the confidential Guide, which may include audio and video media, computer software other electronic media, and/or written materials (Section 6 of the Franchise Agreement).

Approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current approved/designated suppliers (Section 8.6 of the Franchise Agreement).

### *Establishing Prices*

While you are free to set prices for the services and products offered, we will provide you with suggested prices for these items. All pet services offered should be competitive with similar services offered at pet salons in your area.

### *Establishing and Using Administrative, Bookkeeping, Accounting, and Inventory Control Procedures*

We will assist and attempt to provide operating assistance in these areas by offering advice and resources relative to the challenge. We reserve the right to designate one or more third-party provider of administrative, bookkeeping, accounting or inventory control services from time to time, and if we do designate such third-party provider of administrative, bookkeeping, accounting or inventory control services, each franchisee will be required to use such third-party provider.

### *Resolving Franchisee's Problems*

We will assist and attempt to resolve operating problems by offering advice and resources relative to the challenge. Human Resource challenges are exempt from this assistance.

#### 4. Franchise Advertising Program

##### *Advertising Fund*

We will conduct and maintain an advertising fund (“**Advertising Fund**”) at our discretion to which you must contribute.

Franchisees and company-owned outlets (if any) are required to contribute 2% of their Gross Revenues by electronic funds transfer to the Advertising Fund each week. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

We may use the Advertising Fund for the creation, production, and placement of commercial advertising; agency costs and commissions; creation and production of video, audio, and printed or written advertisements; business listings; administering multi-regional advertising programs, direct mail, and other media advertising; in-house staff assistance and related administrative costs; local and regional promotions; engaging one or more public relations firms or conducting our own public relations campaigns; market research; social media campaigns of any kind, and other advertising and marketing activities, including participating at trade shows. Advertising may be placed in local, regional, national, or international media of our choice, including but not limited to, print, direct mail, radio, television, social media, technology or Internet.

We may reimburse ourselves, our authorized representatives, or our affiliates from the Advertising Fund for administrative costs, costs of maintaining the System website, salaries of employees supporting the Advertising Fund along with their travel expenses, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the Advertising Fund. We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Advertising Fund or to maintain, direct, or administer the Advertising Fund. Any unused funds in any calendar year will be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the Advertising Fund on any terms we deem reasonable.

We do not guarantee that any Franchisee will benefit directly or in proportion to their contribution from the placement of expenditure of funds from the Advertising Fund.

Our predecessor had one franchisee operating as of the end of our last fiscal year, which ended September 30, 2023, and they did not collect any Advertising Fund contributions. We will not use the Advertising Fund contributions to solicit new franchise sales.

#### *Circumstances when Franchisor permits Franchisee to use own Advertising*

All advertising and promotions that you use in connection with your Franchised Business must be in such media and of such type and format that we approve and shall conform to such standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our Franchise System, provided these activities do not contravene regulations and laws of appropriate governmental authorities (Section 9.1 of the Franchise Agreement).

You must obtain our advance written approval of all advertising, marketing, and promotional plans and materials that you desire to use that have not been prepared by us prior to using or producing any advertising, including all print materials and desired print vendors. You must conduct all advertising in a dignified manner and to conform to the standards and requirements we specify. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received for any advertising plan or material within thirty (30) days from the date we received the material, the material or plan is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials. (Section 9.5 of the Franchise Agreement).

You are not required to spend a specific amount on local advertising; however, we recommend that you spend at least two percent (2%) of Gross Revenues on local advertising each month.

#### *Advertising Council*

At this time, there will be no advertising council composed of Franchisees, but we reserve the right to establish a council in the future.

#### *Franchisee Participation in Local or Regional Advertising Cooperative*

We require you to participate in local or regional advertising cooperatives, if they exist. The area of the membership in the cooperatives will be defined by us evaluating geographic territory and market areas. You acknowledge that marketing and advertising is required to advise the public about the Franchised Business. You must advertise and promote the Franchised Business at your own expense.

We will determine how any (“**Regional Advertising Cooperative**”) is organized and governed. We have the power to form, dissolve, or merge cooperatives. Each Regional Advertising Cooperative will be independently run or administered by the Franchisee’s from local members

who will elect their own officers. Franchisor-owned outlets contribute on the same basis as the Franchisees. We intend that each Regional Advertising Cooperative will prepare periodic unaudited financial statements which will be available to us and its members. Bylaws will also be created and recorded to provide a basis for governing the cooperatives.

## 5. Franchisor's Requirements for Franchisee's Computer Systems

### *Cost of Purchase or Leasing Systems*

We have the right to specify or require that certain brands, types, makes, and/or models of computer hardware and software that you must use in connection with the Franchised Business. 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) webcam system with proper cabling and server (collectively, the “**Computer System**”). We also require you to use designated point-of-sale software in connection with the Computer System and Franchised Business (“**Required Software**”), as well as the type of tangible media or database structure to use part of the Computer System (Section 12.6 of the Franchise Agreement). We estimate the costs of purchasing or leasing the Computer System is between \$1,200 and \$1,300 per unit opened. The type of data to be generated or stored in these systems includes but is not limited to, the following: sales, customer demographics, appointment reminders, COGS, and other data via the POS (point-of-sale system).

### *Franchisor's Obligation to Provide Maintenance, Repairs, Upgrades, or Updates*

We, our affiliates, and third parties have no obligation to provide ongoing maintenance, repairs, upgrades or updates.

### *Franchisee's Obligation to Upgrade or Update System*

We may require you to have contractual obligations to upgrade or update any hardware or software regarding the Computer System. You must update or upgrade computer hardware and software as we consider necessary, but not more than once a year. We may, from time to time, adopt different system software or hardware from time to time. When we are ready to adopt it, we will require you to convert to that system after giving you written notice at least 60 days prior to any change taking effect.

### *Annual Cost of Optional or Required Maintenance or Operation*

Aside from the up-front costs to purchase POS system hardware and the monthly and per-transaction costs for High speed Internet Services, POS services, and payment card processing, all of which are outlined elsewhere in this Disclosure Document, we do not currently anticipate material additional costs to maintain or operate the systems described herein.

### *Franchisor's Access to Information*

We reserve a right to have independent access to information on the Computer System. We may require that: (i) you comply with our standards and specifications for Internet access and speed; and (ii) the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System or for any other purpose Franchisor deems necessary. There are no contractual limitations on our right to access the information and data on any component of your Computer System (Section 12.6 of the Franchise Agreement). The data which shall be generated or stored in the Computer System is information related to the operation of the Franchised Business, including customer information and financial information.

6. Operating Guide Table of Contents

A copy of the Guide table of contents is attached as **Exhibit G** to this Franchise Disclosure Document. You may review a copy of the Guide at our headquarters before you sign the Franchise Agreement, but you may not possess a copy of the Guide until after you have signed the Franchise Agreement.

7. Franchisor’s Training System

We will provide a one-week initial program at our approved training facility free of charge for two trainees. However, you must pay for any associated travel and living expenses of trainees. We require the Principal Operator(s) (or Designated Manager (defined below)), and Store Master Groomer attend. If more than 2 trainees attend, the additional cost is \$2,000 per person.

**TRAINING PROGRAM**

<b>TRAINING PROGRAM Topic</b>	<b>In Person Training (Hrs)</b>	<b>On-the-Job Training (Hrs)</b>	<b>Location</b>
Foundational Operations and Business Management Training	4	0	Our Corporate Location, Online or other designated location
Operating Systems, Tools, Resources and Support	4	0	Our Corporate Location, Online or other designated location
Mandatory and Approved Vendors, Internal Systems, Policies and Procedures	2	0	Our Corporate Location, Online or other designated location
Marketing Systems, Tools, Resources and Support	2	0	Our Corporate Location, Online or other designated location
Finance Systems, Tools, Resources and Support	2	0	Our Corporate Location, Online or other designated location

Learning and Development Systems, Tools, Resources and Support	2	0	Our Corporate Location, Online or other designated location
Shadow a Live Salty Dawg	0	8	Our Corporate Location, Online or other designated location
Pre-Opening Staff Operations	0	8	Our Corporate Location, Online or other designated location
<b>Totals</b>	<b>16</b>	<b>16</b>	

Notes:

1. The training program duration is one week at our approved training facility, online, or the franchise location. The training is ongoing, but it must be scheduled seven (7) days in advance.
2. Instructional materials and Instructor experience – Our training will be taught by Sally Facinelli, Heather Williams, Alex Ruster, and Megan Murphy. Sally Facinelli has 28 years of experience in management, marketing, operations and sales, and less than 1 year of experience with the franchisor. Heather Williams has 11 years of experience in franchise operations and less than 1 year of experience with the franchisor. Alex Ruster has 7 years of experience in management and operations and less than 1 year of experience with the franchisor. Megan Murphy has 8 years of experience in sales, training and marketing, and less than 1 year of experience with the franchisor.
3. You may be subject to additional fees or charges for training. There is no charge for training up to two (2) individuals in the initial training. You will be charged \$400 per day for each additional unit of training per person. All travel and living expenses for this training will be covered by you.
4. Our pre-training program is mandatory for you. We require that Principal Operator(s) (or the Designated Manager) and Store Master Groomer attend. Franchisee pays for all travel expenses, but the cost of the training is part of the Initial Franchise Fee. Successful completion of the pretraining program is required. Training must be completed one-hundred and twenty (120) days after signing and must be completed fourteen (14) days before the opening of the business.
5. We have no additional training programs or refresher programs set up at this time, but these types of programs will be offered in the future.

## ITEM 12. TERRITORY

Your territory will be for a specific geographic region that we define by zip codes, natural, or political boundaries as set forth in Schedule 1 to the Franchise Agreement (your “Territory”). Your Territory will have a minimum population of approximately 125,000 residents, as determined by the U.S. Census Bureau or mapping software that we feel is reliable. You will be granted the

right to operate a single Franchised Business at a single location (the “Approved Location”) within your Territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

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. However, you will receive a protected territory, meaning a geographical area within which we promise not to establish a Salty Dawg Pet Salon company owned or franchised outlet.

The license granted to you in the Franchise Agreement is limited to permitting the use of the System and SD Marks in the operation, consistent with the Guide, of a Franchised Business only at the Approved Location. You must operate the Franchised Business only at this Approved Location and may not relocate without our prior written consent.

If you do not have an Approved Location at the time you sign a Franchise Agreement, then you must propose at least two (2) locations within seventy-five (75) days after signing the Franchise Agreement and secure a suitable location to operate the Franchised Business within the boundaries of the Territory within 180 days of executing the Franchise Agreement. You will submit any desired location(s) from within the Protected Territory to us for our review and consideration. When you and we agree to an Approved Location, you and we will sign an Addendum for site approval, in the form of Schedule 2 to the Franchise Agreement contemporaneous with your execution of a lease for the location.

If the lease for the Approved Location expires or terminates without the fault of you, or if the Approved Location is destroyed, condemned or otherwise rendered unusable, or if in our reasonable judgment there is a change in character of the Approved Location that is sufficiently detrimental to its business potential to warrant relocation of the Franchised Business, or as otherwise may be agreed upon in writing by you and us, we may, in our reasonable discretion, allow you to relocate the Franchised Business to a new Approved Location. Any such relocation shall be at your sole expense and must proceed in accordance with the requirements set forth in the Franchise Agreement. We will have the right to require you to pay us then-current fee(s), plus any expenses, for relocation assistance. Notwithstanding the foregoing, we have no contractual obligation to provide relocation assistance.

There are no restrictions on your right to accept orders from consumers provided that you do so from the Approved Location and in accordance with our Guide. However, you may not use other channels of distribution, such as the internet, catalog sales, telemarketing, or direct marketing, to make sales outside of your territory. Further, you may not establish an account or participate in any social networking sites (including, without limitation, Facebook, Instagram, Twitter, or any other social or professional networking site or blog) or mention or discuss the Franchised Business, us, or our affiliates, without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the SD Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as

wholesale, Internet, or mail order sales. Otherwise, except as provided in ITEM 12, we place no restrictions upon your ability to serve customers provided you do so from the location of your Franchised Business accordance with our policies.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise Territory, even if there is a population increase in your Territory. However, 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 Franchise 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 Business 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 Franchise 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 Franchise Agreement, anywhere.

Our affiliate Zoomin Groomin USA LLC d/b/a Zoomin Groomin franchises a business under the Zoomin Groomin® trademark, which sells goods or services similar to those you 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. Zoomin Groomin® does not currently operate any company owned outlets, but they may do so in the future. We plan to avoid and resolve conflicts between us and our franchisees and between the franchisees of each system regarding territory, customers, and

franchisor support, by establishing limited contractual rights, extending the new opportunity to existing franchisees, and by developing internal systems, processes, and incentives for client referrals. However, we will ultimately be the sole determiner as to conflicts regarding territory, customers, and franchisor support.

### 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 Number	Registration Date	Register
	5,679,479	February 19, 2019	Registered on the Principal Register
SALTY DAWG PET SALON	7,089,516	June 27, 2023	Registered on the Principal Register

All required affidavits have been filed. We do not intend to renew the above image mark bearing serial number 5,679,479 as are no longer using this mark. The above-referenced registration bearing serial number 7,089,516 has not been renewed, as renewal has yet to be required.

In addition to the SD Marks in the table immediately above, our predecessor has filed a word mark application for the following mark with the USPTO.

Trademark	Application Number	Filing Date	Register
SWEET DAWG PET BAKERY	98147474	August 23, 2023	Principal

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
	Common Law	Common Law	Common Law
	Common Law	Common Law	Common Law
SALTY DAWG BARBERSHOP	Common Law	Common Law	Common Law
SALTY DAWG PET SALON + BAKERY	Common Law	Common Law	Common Law

We do not have a federal registration for the Marks in the two 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.

We purchased the right to use each of these Marks from the predecessor, Salty Dawg, LLC, on or about July 26, 2024. The owner and registrant executed a Trademark Assignment, which was filed with the United States Patent and Trademark Office and accepted with a recordation date of August 6, 2024.

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 a

third party and is currently operated 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 Franchise Agreement. Any increase in the goodwill associated with the SD Marks during the term of the Franchise 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 Franchise 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 Franchise Agreement, and continuing after the expiration or termination of the Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise 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**

The information in the Guide is proprietary and is protected by copyright and other laws. The designs contained in the SD Marks, the layout of our advertising materials, the content and format of our products, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Guide, our advertising materials, the content and format of our products, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“**Copyrighted Materials**”) for the operation of your Franchised Business, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Materials of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Materials that will or may significantly limit using our Copyrighted Materials. We may revise our Franchise

System and any of our Copyrighted Materials in our discretion and may require that you cease using any outdated Copyrighted Materials. You will be responsible for printing any revised or new advertising, marketing, or other business materials.

Our Guide, electronic information and communications, sales and promotional materials, the development and use of our Franchise System, standards, specifications, policies, procedures, information, concepts and Franchise Systems on, knowledge of, and experience in the development, operation and franchising of Franchised Businesses, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Franchised Businesses, and other related materials are proprietary and confidential (“**Confidential Information**”), and are our property to be used by you only as described in the Franchise Agreement and the Guide. Where appropriate, certain information has also been identified as trade secrets (“**Trade Secrets**”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Confidential Information and Trade Secrets.

You must notify us within three (3) days after you learn about another’s use of language, a visual image, or a recording of any kind that you perceive to be identical or substantially similar to one of our Copyrighted Materials, or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Materials, Confidential Information, or Trade Secrets. You will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the Franchised Business during the Franchise Agreement's term, and that Confidential Information is proprietary and is disclosed to you only on the condition that you: (1) will not use Confidential Information in any other business or capacity; (2) will keep each item deemed to be part of Confidential Information absolutely confidential, both during the Franchise Agreement's term and after the term for as long as the item is not generally known in the pet industry; (3) will not make unauthorized copies of any Confidential information disclosed via electronic medium or in written or other tangible form; and (4) will adopt and implement reasonable procedures to prevent unauthorized use of or disclosure of Confidential Information, including restricting its disclosure to Franchised Business personnel and other and using non-disclosure and non-competition agreements with those having access to Confidential Information.

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the pet industry through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the pet industry through publication or communication by others (without violating an obligation to us). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Materials, Confidential Information, or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Materials, Confidential Information,

or Trade Secrets, or claim by any person of any rights in any Copyrighted Materials, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Materials, Confidential Information, or Trade Secrets. You may not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge, or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge, or claim under any Copyrighted Materials, Confidential Information, or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Materials, Confidential Information, or Trade Secrets.

No patents or patents pending are material to us at this time.

We have the right to inspect, copy, and use all records regarding the customers, suppliers, and other service providers of, and related in any way to, your Franchised Business. This includes, without limitation, all databases (whether in print, electronic, or other form), including all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we determine, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and such other purposes as we deem appropriate, at our sole discretion.

You must disclose to us all ideas, techniques, and products concerning the development and operation of your Franchised Business you or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners or employees a perpetual, non-exclusive, and worldwide right to use these ideas, techniques, and products concerning the development and operation of your Franchised Business you or your employees conceive or develop during the term of the Franchise Agreement. We will have no obligation to make any lump sum or on-going payments to you regarding any idea, concept, method, technique, or product. You must agree you will not use, nor will you allow any other person or entity to use, these ideas, techniques, or products without obtaining our prior written approval.

We may revise any of the Copyrighted Materials at our discretion and may require that you cease using any outdated item or portion of the Guide.

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

You or a fully trained and qualified manager (the “**Designated Manager**”) must personally supervise and participate in the day-to-day operation of your Franchised Business unless we permit otherwise in writing.

You must inform us in writing of the identity of your desired Designated 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. Your Designated Manager must successfully complete our Initial Training Program, and complete ongoing advance training requirements.

You or your Designated Manager must provide direct, on-site supervision of your Franchised Business. You or your Designated Manager must also directly supervise your Multi-Unit obligations, if any. If you replace a Designated Manager, the new Designated Manager must satisfactorily complete our Initial Training Program within 60 days at your expense. Your appointment of a Designated Manager shall not relieve you of any duties or obligations under the Franchise Agreement. There is no substitute for your supervision of the Franchised Business, so if you employ a Designated Manager, you must provide general supervision and be fully aware of the affairs of the Franchised Business.

You will keep us informed at all times of the identity of the Designated Manager of your Franchised Business, and any change in their employment status. Designated Managers are not required to have an equity interest in your Franchised Business. In the event that a Designated Manager resigns or is otherwise terminated, you must hire a replacement that meets our then-current standards for a Designated Manager, and whom we approve in writing before hiring, within thirty (30) days after the resignation or termination of the former Designated Manager. Your Designated Manager(s) must have the ability to meet the day-to-day operations and management standards of the Franchised Business, which includes receiving and responding immediately to calls or incoming communications. We reserve the right to withhold approval of a Designated Manager, in our sole discretion, that we believe does not have the ability to meet our standards because of other conflicting interests.

Any Designated Manager, Store Manager, Store Master Groomer and, if you are an entity, an officer that does not own equity in the Franchisee entity must sign the Franchise System Protection Agreement, the form of which is attached to this Franchise Disclosure Document in **Exhibit F**. The Franchise System Protection Agreement imposes certain non-competition restrictions, which cannot be entered into or enforced if/when the Federal Trade Commission's ("FTC") ban on non-compete provisions (16 CFR Part 910) becomes and remains effective. If/when the FTC's ban is effective all post-termination restrictions must be stricken from **Exhibit F** before it is presented to any worker. Some states may impose certain additional restrictions on non-competition agreements. We provide you this form, but it is your responsibility to conform it to federal and state laws, which may change from time to time. All your employees, independent contractors, agents, or representatives that may have access to our Confidential Information must sign a Confidentiality Agreement (unless they already signed a Franchise System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in **Exhibit F**. If you are an entity, each owner (*i.e.*, each person holding an ownership interest in you) who owns five percent (5 %) or greater interest in the entity must personally guarantee the performance of all of his or her obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Franchise Agreement and Guaranty Agreement attached to the Franchise Agreement. We also require that the spouses of the owners of the entity or the spouses of individual owners sign Attachment B to the Franchise

Agreement – Owners Agreement, the Confidentiality Agreement, and the Franchise System Protection Agreement.

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

You must only use the Approved Location for the operation of the Franchised Business. You must not use or permit the use of the premises for any other purpose without our written consent. You must offer the services and products that we will specify from time to time, in strict accordance with our standards and specifications. You will not be obligated to sell all goods and services that we designate. We have no limit on our right to change the types of authorized goods or services. We may periodically change required or authorized products or services. If we modify the System, you may be required to add or replace equipment, signs, and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications. If we change or add to our approved products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any products or services that we disapprove.

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

**This table lists certain important provisions of the Franchise Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Franchise Disclosure Document.**

**FRANCHISE AGREEMENT**

Provision	Section in Franchise Agreement	Summary
a. Length of Franchise term	Section 4.1	Ten (10) years.
b. Renewal or extension of term	Section 4.2	If you are in good standing and you meet other requirements, you may enter into one (1) consecutive successor term of ten (10) years.
c. Requirements for Franchisee to renew or extend	Sections 4.2.1 through 4.2.11	You must: (i) provide notice of your renewal no fewer than nine (9) months and no greater than one (1) year prior to the end of the term; (ii) demonstrate to our satisfaction that you have the right (including licenses and permits) to operate the Franchised Business at the Approved Location for the duration of the renewal term or, if you are unable to continue operating at the Approved Location, secure a

		<p>substitute location that is acceptable to us; (iii) have made such capital expenditures as are necessary to maintain uniformity with any System modifications such that the Franchised Business reflects the then-current System Standards; (iv) not be in breach of any provision of the Franchise Agreement or any other agreement with us, our affiliates, Approved Suppliers, and also be in substantial compliance with these agreements during their respective terms; (v) satisfy all monetary obligations you have to us, our affiliates, and approved or designated suppliers/vendors; (vi) execute our then-current form of franchise agreement and any ancillary documents for the successor term, and this new franchise agreement may have materially different terms and conditions (including, for example, higher Royalty Fees and Brand Building Fund Contributions) from the Franchise Agreement that covered your initial term; (vii) satisfy our then-current training requirements for renewing franchisees at your sole expense prior to the renewal date; (viii) execute a general release in favor of us and our affiliates in the form we prescribe; and (ix) pay us a renewal fee of \$10,000.</p>
d. Termination by Franchisee	Section 14.9	You may terminate the Franchise Agreement if you are in compliance with it and we are in material breach, and we fail to cure that breach within 30 days of receiving written notice.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Sections 14.1 through 14.5	We may terminate your agreement upon your default and, in some instances, failure to cure. Termination is effective upon delivery of written notice, except as otherwise provided in the Franchise Agreement.
g. "Cause" defined - defaults which can be cured	Sections 14.3 and 14.4	The following are curable defaults under the Franchise Agreement, provided you cure the default within 15 days of our notice: (i) nonpayment of any sums due us, our affiliates, or

		<p>any of our Franchise System suppliers/vendors; (ii) your failure to immediately endorse and deliver to us any payments due us from any third party that are erroneously made to you; (iii) your failure to maintain sufficient levels of inventory to adequately meet consumer demand; (iv) failure to secure a location or to commence operations in the time periods prescribed in Section 7 of your Franchise Agreement; (v) you fail to maintain the prescribed months, days, or hours of operations at the Franchised Business (unless your failure constitutes abandonment under Section 14 of your Franchise Agreement); (vi) if you, in our sole discretion, fail to personally supervise day-to-day operations of the Franchised Business (unless you have appointed a Designated Manager) or fail to employ a sufficient number of qualified, competent personnel as we prescribe; (vii) you fail to maintain the strict quality controls reasonably required by this Agreement and/or the Guide; and (viii) your failure to procure or maintain any licenses, certifications, or permits necessary for the operation of the Franchised Business.</p>
h. "Cause" defined - defaults which cannot be cured	Sections 14.1 and 14.2	The Franchise Agreement will automatically terminate without notice or opportunity to cure upon the occurrence of certain events set forth in the Franchise Agreement.
i. Franchisee's obligations on termination or, if applicable, nonrenewal	Section 15	Upon termination or expiration of the Franchise Agreement, your obligations include: (i) immediately cease all operations of the Franchised Business; (ii) immediately pay all amounts owed us, our affiliates, and our major suppliers; (iii) cease all use of the SD Marks, de-identify the Franchised Business, and otherwise cease holding yourself or the Franchised Business out as part of our Franchise System; (iv) within ten (10) days, return all proprietary materials, including the Guide(s) and all clientele information, leasing schedules, and data, Confidential Information, and any other materials displaying our SD Marks, to us and permanently

		<p>cease all use of these materials; (v) immediately cease use of all telephone and facsimile numbers and related listings, as well as any permitted domain names, that were used in connection with the Franchised Business (collectively, the “Assigned Property”), and take all necessary steps to assign the Assigned Property to us or our designee; (vi) you must immediately vacate the premises of the Franchised Business and, if we exercise our rights under a Collateral Assignment of Lease, take all necessary steps to assign the lease to us within 15 days of us providing you with notice; (vii) take all actions necessary to amend or cancel any assumed name, business name, or equivalent registration that contains any trade name or SD Mark, and furnish evidence to us that you have complied with this obligation within 15 days; (viii) permit us to make a final inspection of your financial records, books, and other accounting records within one (1) month of the termination/expiration of your Franchise Agreement; and (ix) comply with your post-term restrictive covenants set forth in Section 15.</p>
j. Assignment of contract by Franchisor	Section 16.7	There are no restrictions on our right to assign the Franchise Agreement.
k. “Transfer” by Franchisee – definition	Section 16.1	Includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, exchange, grant of a security interest, or change of ownership in the Franchise Agreement, the Franchise, or interest in the Franchise. Any assignment, sale, transfer, or encumbrance made without Franchisor’s written consent shall be voidable at their option and shall subject the Agreement to termination as specified.
l. Franchisor approval of transfer by Franchisee	Sections 16.1 and 16.5	Any transfer requires our prior written consent.

<p>m. Conditions for Franchisor approval of transfer</p>	<p>Sections 16.5.1 through 16.5.18</p>	<p>Transferee must satisfactorily demonstrate to us, in our sole discretion, that it meets our educational, managerial, and business standards to operate the Franchised Business, and also possesses good moral character, business reputation, and credit rating; transferee has adequate financial resources and capital; transferee is not in the same business as us, franchisor, independent operator, or licensee of any other business that is similar to the Franchised Business, except that the transferee may be an existing franchisee; you have paid all amounts owed under any agreement with us or our affiliates, as well as any amounts owed to our Approved Suppliers; you have cured all existing defaults under the Franchise Agreement, and any other agreement with us or our affiliates and designated/approved suppliers, within the time period permitted for cure, and have substantially complied with these agreements during their respective terms; you and your principals and the transferee must execute a general release in favor of us and our affiliates in the form we prescribe; you or the transferee has provided us with a copy of the executed purchase agreement for the Franchised Business, as well as all other documents relevant to the transaction; transferee must execute our then-current form of franchise agreement for the unexpired term of your Franchise Agreement, which may contain materially different terms than your Franchise Agreement; transferee must satisfactorily complete our Initial Training Program at its own expense; pay us a transfer fee; you, your principals, and members of their respective immediate families must comply with the post- termination provisions of the Franchise Agreement; if you are operating from a leased location, the lessor of that location must approve the assignment of the lease to the transferee; the purchase price and terms of the proposed transfer must not be so burdensome as to impair or materially threaten the prospective transferee’s ability to operate the Franchised Business and perform under the Franchise Agreement; you must request that we provide the prospective transferee with its current form of Franchise Disclosure Document. We may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of</p>
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		<p>the transfer or otherwise. Our approval of your transfer does not constitute a waiver of any claims we might have against you.</p> <p>You do not need to pay a transfer fee if you are an individual and you wish to transfer the Franchise Agreement to a corporation or limited liability company that is wholly owned by you, provided certain conditions are met.</p>
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 16.4	<p>We have the right to match any bona fide third-party offer to buy your Franchise rights, assets, or controlling interest that is the subject of a proposed transfer (other than a transfer from an individual franchisee to a business entity as described in Section 16.6 of the Franchise Agreement). We may exercise this right of first refusal within 30 days of the date you provide us with a copy of the third-party offer and any other information that we request. If we do not exercise this option, you must complete the transfer to the third party within 60 days, subject to the conditions set forth in Section 16.5. Otherwise, we will once again have our right of first refusal.</p>
o. Franchisor's option to purchase Franchisee's business	Section 15.2	<p>Upon your termination, we may purchase personal property used in connection with the operation of the Franchised Business by: (i) providing you with notice of our election to do so within 60 calendar days of the expiration/termination of your Franchise Agreement; and (ii) paying you the book value for such personal property within 60 days of providing you with this notice (as "book value" is defined in the Franchise Agreement).</p>
p. Death or disability of Franchisee	Sections 16.2	<p>Upon the death, physical, or mental incapacity of any person with an interest in the Franchise Agreement, the Franchisee, or in all or substantially all of the assets of the Franchised Business, the personal representative of such person shall have the right to continue operation of the Franchised Business if: (i) within 90 days from the death / disability / incapacity, the representative has obtained our prior written approval and has executed our then current form of franchise agreement for the unexpired terms of the Franchise, or has otherwise furnished a personal guaranty of any business entity of franchisee's obligations to us and our affiliates; and (ii) this person successfully completes our then-</p>

		current Initial Training Program, which will be provided at our then-current rates.
q. Non-competition covenants during the term of the Franchise	Section 13.2	Neither you, your principal owners, nor any immediate family members of you or your principal owners may participate in a diverting business, have an owning interest in, loan money to, or perform services for a competitive business anywhere; you may not interfere with our or our other franchisees' Franchised Business(es), subject to applicable state law.
r. Non-competition covenants after the Franchise is terminated or expires	Section 13.2	<p>For a period of two (2) years, you may not own, operate, engage in, or otherwise become involved with any competing business that offers or grants licenses or franchises to operate businesses that offer products and services similar to those provided by the Franchised Business, subject to applicable state law.</p> <p>For a period of two (2) years, you may not own, operate, engage in, or otherwise become involved with any Competing Business (as defined in your Franchise Agreement): (i) at the premises of your Franchised Business; (ii) within your Protected Territory; or (iii) within a 20-mile radius surrounding the perimeter of: (a) your Protected Territory; or (b) any other Protected Territory licensed by us, or other Salty Dawg Pet Salon Businesses in operation as of the expiration/termination/transfer of your Franchise Agreement through the date of your involvement in the Competing Business, subject to applicable state law.</p>
s. Modification of the agreement	Sections 6.2 and 18.4	The Franchise Agreement may not be modified except by a written agreement that both of us sign; however, we can unilaterally modify or change our Guide and Franchise System, as we deem advisable in our sole discretion.
t. Integration/merger clause	Section 18.4	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside of this Franchise Disclosure

		Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 17.2 and 17.3	Except for certain claims, all disputes must be mediated and arbitrated in Virginia Beach, Virginia, subject to applicable state law.
v. Choice of forum	Section 17.4	Virginia Beach, Virginia, subject to applicable state law.
w. Choice of law	Section 17.1	Virginia law, without reference to its conflict of laws principles, and subject to any contrary provision contained in a State-Specific Addendum and subject to applicable state law.

### MULTI-UNIT OPTION AGREEMENT

Provision	Section in Multi-Unit Option Agreement	Summary
a. Term of Franchise	Section 6	Your Option Period will end upon the earlier of: (i) the date you timely exercise your option to open your final Franchised Business under the Multi-Unit Option Agreement; or (ii) the termination of the Multi-Unit Option Agreement.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Not Applicable	You do not have the contractual right to terminate the Multi-Unit Option Agreement. However, you may terminate the Multi-Unit Option Agreement under any grounds permitted by state law.

e. Termination by us without cause	Section 6	This Agreement will automatically terminate upon your opening of the last Franchised Business contemplated by the Multi-Unit Option Agreement.
f. Termination by us with cause	Section 6	Franchisor may terminate the Multi-Unit Option Agreement upon notice, and any remaining option rights will be terminated as well without any refund of any portion of the Option Fee.
g. “Cause” defined - default which can be cured	Not Applicable	Not Applicable
h. “Cause” defined - default which cannot be cured	Section 6	If you fail to timely exercise your option or comply with any other obligations with respect to any Franchised Business within the appropriate Option Period
i. Your obligations on termination/non-renewal	Not Applicable	Not Applicable
j. Assignment of contract by us	Section 9	Franchisor has the right to assign this Agreement in whole or in part.
k. “Transfer” by you - definition	Section 9	Your rights under the Multi-Unit Option Agreement may not be transferred without Franchisor’s prior written consent; except that if you are an individual or a partnership, you have the right to transfer to a corporation or limited liability company that is wholly owned by you according to the same terms and conditions as provided in the Franchise Agreement.
l. Our approval of transfer by franchisee	Section 9	Your rights under the Multi-Unit Option Agreement may not be transferred without Franchisor’s prior written consent; except that if you are an individual or a partnership, you have the right to transfer to a corporation or limited liability company that is wholly owned by you according to the same terms and conditions as provided in the Franchise Agreement.
m. Conditions for Franchisor	Not Applicable	Not Applicable

	approval of transfer		
n.	Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o.	Our option to purchase your business	Not Applicable	Not Applicable
p.	Your death or disability	Not Applicable	Not Applicable
q.	Non-competition covenants during the term of the Franchise	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement, subject to applicable state law.
r.	Non-competition covenants after the Franchise is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement, subject to applicable state law.
s.	Modification of the Franchise Agreement	Section 26	Any modification of this agreement must be in writing and signed by both parties.
t.	Integration/ merger clauses	Section 26	Only the terms of the Multi-Unit Option Agreement and related written agreements are binding (subject to applicable state law). Any representations or promises made outside this Franchise Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim any representations we made in this Franchise Disclosure Document.
u.	Dispute resolution by mediation	Sections 15, 17, 19	Except for certain claims, all disputes must be mediated, subject to applicable state law.
v.	Choice of forum	Section 13	Virginia Beach, Virginia, subject to applicable state law.

w. Choice of law	Section 13	Virginia law, without reference to conflict of law principles, and subject to any contrary provision contained in State-Specific Addendum, subject to applicable state law.
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**ITEM 18. PUBLIC FIGURES**

We do not currently use any public figure to promote our Franchise.

**ITEM 19. FINANCIAL PERFORMANCE REPRESENTATION**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is any reasonable basis for the information, and if the information is included in the Disclosure Document. Financial information that differs from that included in ITEM 19 may only be given 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 Sally Facinelli, 780 Lynnhaven Pkwy, Ste. 240, Virginia Beach, VA 23452, (888) 412-7224, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Franchise System-Wide Outlet Summary  
For Years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
<b>Company-Owned*</b>	2021	0	0	0
	2022	0	0	0
	2023	0	1	1
<b>Total Outlets</b>	<b>2021</b>	0	0	0
	<b>2022</b>	0	0	0
	<b>2023</b>	0	1	1

\* For purposes of this Item 20 table, we are disclosing a location that was operated by Salty DawgIL (an affiliate of our predecessor) as a company-owned location in 2023. The location was sold by SaltyDawgIL to a franchisee in 2024 was one of the Assigned Outlets.

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Total Outlets</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

**Table 3**  
**Status of Franchised Outlets**  
**For Years 2021 to 2023**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
<b>Total Outlets</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2021 to 2023**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Georgia*	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	1	0	0	1
<b>Total Outlets</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

\* For purposes of this Item 20 table, we are disclosing a location that was operated by Salty DawgIL (an affiliate of our predecessor) as a company-owned location in 2023. The location was sold by SaltyDawgIL to a franchisee in 2024 was one of the Assigned Outlets.

**Table No. 5**  
**Projected Openings for Salty Dawg Pet Salon locations**  
**As of October 1, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
Georgia	0	1	0
Texas*	1	2	0
<b>TOTAL</b>	1	3	<b>0</b>

\*For purposes of this Item 20 table, we are disclosing a location that signed a franchise agreement with our Predecessor and is one of the Assigned Outlets.

The names, addresses, and telephone numbers of franchisees will be added to the list attached to this Franchise Disclosure Document as **Exhibit H**. The name and last known address and telephone number of every franchisee and every franchisee who has had a Salty Dawg Pet Salon terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement, or who has not communicated with us within ten (10) weeks of the Issuance Date of this Franchise Disclosure Document, will be listed in **Exhibit H**. If you buy this Salty Dawg Pet Salon franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the Salty Dawg Pet Salon Franchise System. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you. During the last three (3) fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Salty Dawg Pet Salon Franchise System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific Franchise organizations.

### ITEM 21 FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as **Exhibit A** are our audited financial statements as of May 30, 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; however, we have attached the audited finances for our predecessor, as of September 30, 2023, and September 30, 2022, and September 30, 2021. Our predecessor's fiscal year end was September 30.

## ITEM 22 CONTRACTS

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

Exhibit B	Franchise Agreement
Exhibit C	Multi-Unit Option Agreement
Exhibit E	State Addenda and Agreement Riders
Exhibit F	Contracts for use with the Franchised Business

## ITEM 23 RECEIPTS

The last pages of this Franchise Disclosure Document, **Exhibit J**, are a detachable document, in duplicate. Please detach, sign, date, and return one (1) copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

**EXHIBIT A**

**FINANCIAL STATEMENT**

# 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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*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>\$ 30,000</u>

LIABILITIES & EQUITY

Current Liabilities	
Accounts Payable	\$ -
Total Current Liabilities	<u>-</u>
 Total Liabilities	 <u>-</u>
 Members' Equity	
Retained Earnings	30,000
Members' Equity	<u>30,000</u>
 TOTAL LIABILITIES & EQUITY	 <u>\$ 30,000</u>

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.

**AUDITED FINANIALS OF OUR PREDECESSOR**

(Our Predecessor's Fiscal Year End Was September 30)

**Salty Dawg LLC**  
**Financial Statements**  
**September 30, 2023**



**SALTY DAWG LLC**

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**Sarah Sutton, CPA, Jr. Partner**

Managing Members  
Salty Dawg LLC  
Bloomington, Illinois

### **Opinion**

We have audited the accompanying financial statements of Salty Dawg LLC (a Delaware corporation), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salty Dawg LLC as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Salty Dawg LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Salty Dawg LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Salty Dawg 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 Salty Dawg LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Hjerpe & Tennison CPAs, LLC*

Bloomington, IL  
November 27, 2023

**SALTY DAWG LLC  
BALANCE SHEET  
SEPTEMBER 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 16,329	\$ 40,020
Accounts receivable	19,206	18,120
Due from related party	22,496	2,628
Prepaid expenses	8,333	-
Total current assets	66,364	60,768
 Total assets	 \$ 66,364	 \$ 60,768
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current liabilities:		
Accrued expenses	\$ 17,605	\$ 2,500
Due to related party	4,757	-
Payroll liabilities	1,062	7,452
Total current liabilities	23,424	9,952
 Long term liabilities:		
Deferred revenue	99,500	-
Total long term liabilities	99,500	-
 Members' Equity:		
Contributed capital	1,252,382	991,375
Accumulated deficit	(1,308,942)	(940,559)
Total members' equity	(56,560)	50,816
 Total liabilities and members' equity	 \$ 66,364	 \$ 60,768

See independent auditor's report and accompanying notes.

**SALTY DAWG LLC  
INCOME STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Revenue:		
Royalty income	\$ 19,715	\$ 16,628
Miscellaneous income	-	584
Total revenue	<u>19,715</u>	<u>17,212</u>
Expenses:		
Advertising and promotion	77,571	62,452
Bank service charges	701	-
Commission fee	49,750	-
Computer and internet	5,166	3,784
Contract labor	29,999	-
Dues and subscriptions	8,105	-
Insurance	594	27
Miscellaneous	305	-
Supplies	5,587	3,826
Professional fees	76,254	48,095
Rent	3,900	5,201
Salaries and wages	89,730	125,815
Payroll taxes	7,469	10,402
Education	3,335	250
Travel	29,632	9,407
Total expenses	<u>388,098</u>	<u>269,259</u>
Net loss	<u>\$ (368,383)</u>	<u>\$ (252,047)</u>

See independent auditor's report and accompanying notes.

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**SALTY DAWG LLC**  
**STATEMENT OF MEMBERS' EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023 and 2022**

	<u>Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Total Members' Equity</u>
Balances, September 30, 2021	\$ 773,000	\$ (688,512)	\$ 84,488
Contributed capital	218,375	-	218,375
Net loss	<u>-</u>	<u>(252,047)</u>	<u>(252,047)</u>
Balances, September 30, 2022	\$ 991,375	\$ (940,559)	\$ 50,816
Contributed capital	261,007	-	261,007
Net loss	<u>-</u>	<u>(368,383)</u>	<u>(368,383)</u>
Balances, September 30, 2023	<u>\$ 1,252,382</u>	<u>\$ (1,308,942)</u>	<u>\$ (56,560)</u>

See independent auditor's report and accompanying notes.

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**SALTY DAWG LLC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (368,383)	\$ (252,047)
Adjustments to reconcile change in net assets to cash provided by activities:		
(Increase) in accounts receivable	(1,086)	(16,860)
(Increase) in due from related party	(19,868)	(1,701)
(Increase) in prepaid expenses	(8,333)	-
Increase in accrued liabilities	15,105	250
Increase in due to related party	4,757	-
(Decrease) Increase in payroll liabilities	(6,390)	1,987
Increase in deferred revenue	<u>99,500</u>	<u>-</u>
Net cash used by operating activities	(284,698)	(268,371)
 Cash flows from financing activities:		
Contributed capital from members	<u>261,007</u>	<u>218,375</u>
Net cash provided by financing activities	<u>261,007</u>	<u>218,375</u>
 Net decrease in cash	(23,691)	(49,996)
 Cash at the beginning of the period	<u>40,020</u>	<u>90,016</u>
 Cash at the end of the period	<u>\$ 16,329</u>	<u>\$ 40,020</u>
 Supplemental disclosure:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See independent auditor's report and accompanying notes.

**SALTY DAWG LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 and 2022**

**Note 1. Nature of Activities and Significant Accounting Policies**

Nature of Activities: Salty Dawg LLC (the Company) was incorporated as a limited liability company under the laws of the state of Delaware on August 13, 2018. The Company was incorporated for the purpose of, but not limited to, franchising pet salons and providing training needed to operate the pet salon business.

There is currently one franchise location in Katy, TX as well as one affiliate location in Normal, IL and one corporate owned location in Atlanta, GA. As of September 30, 2023 there are signed franchise agreements for an additional 9 locations with the expectation that new franchise locations will be opening during 2024.

Significant accounting policies are as follows:

Fiscal Year: The Company operates with a fiscal year ending September 30.

Basis of Presentation: The Company's books are maintained on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Revenue Recognition: Royalty income is recognized each month as a percentage of sales at each franchise location per the franchise agreement. The Company recognizes income per ASC 606, *Revenue from Contracts with Customers*, which considers the period over which the income is earned. The Company recognizes franchise fees per Subtopic 952-606 of ASC 606, *Franchisors – Revenue for Contracts with Customers: Practical Expedient*. This subtopic impacts the amount and timing of revenue recognized in the Company's financial statements as it pertains to franchise fees. Based on the Company's evaluation process and review of its franchise contracts, the timing and amount of revenue recognized for franchise fees will correlate to performance obligations within the franchise agreement. Sales of products are recognized at the time of sale.

Cash: Cash balances are maintained in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances. For the years ended September 30, 2023 and 2022 the Company did not have any cash balances that exceeded FDIC limits.

Accounts Receivable: As of September 30, 2023 and 2022, accounts receivable represents royalties billed to franchisees that have not been collected. Account balances are written off when they are deemed uncollectible, therefore there is no reserve for bad debts recorded. For the years ended September 30, 2023 and 2022 there were no bad debt write offs.

Inventory: Inventory includes supplies and promotional items that can purchased by the franchise locations to be used or sold. Inventory is valued at cost and expensed to cost of sales using the first-in, first-out (FIFO) method. No inventory was on hand at September 30, 2023 and 2022.

Advertising Costs: Advertising costs are charged to operations when incurred. Advertising expense was \$77,571 and \$62,452 for the years ended September 30, 2023 and 2022 respectively.

**SALTY DAWG LLC**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2023 and 2022**

**Note 1. Nature of Activities and Significant Accounting Policies (continued)**

Income Taxes: The Company operates as a limited liability company taxed as a partnership. As such, the net income from the Company flows through to the members and is taxed on their individual income tax returns. As a result, no provision for income taxes is being made on these financial statements.

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

Subsequent Events: Subsequent events were evaluated through November 27, 2023, the date the financial statements were available to be issued. No reportable events existed through that date.

**Note 2. Income Taxes**

U.S. generally accepted accounting principles require management to evaluate tax positions taken and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by applicable taxing authorities. Management has analyzed the tax positions taken and has concluded that as of September 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax years 2020, 2021 and 2022 are open to examination in all jurisdictions.

**Note 3. Deferred Franchise Fee Revenue**

A franchise fee of \$99,500 was collected in August 2023 for 3 future locations. The franchise fee will be recognized as revenue over the term of the franchise agreement (10 years) once the locations open or when specific performance obligations are met, whichever is sooner. No franchise fee revenue was earned for the year ended September 30, 2023 and it is therefore reported as deferred revenue on the balance sheet.

**Note 4. Related Parties**

One franchise location is owned by an immediate family member of one of the managing members. This same family member has signed a franchise agreement for one additional location. Accounts receivable includes \$19,206 and of royalties owed by this franchise at September 30, 2023.

**SALTY DAWG LLC**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2023 and 2022**

**Note 4. Related Parties (continued)**

The Atlanta, GA location of Salty Dawg was sold by the original franchisee to the managing members of Salty Dawg LLC in May 2023. The location under new ownership is not considered a franchise and therefore does not pay royalties. As of September 30, 2023, the Atlanta location owes the Company \$22,496 for expenses paid on their behalf.

As of September 30, 2023, the Company owes a related party \$4,757 for expenses paid on their behalf. The related party is owned by a managing member.

A managing member owns an affiliate location in Normal, IL. The location is not considered a franchise and therefore does not pay royalties. As of September 30, 2022, there was \$2,628 due from the affiliate store for expenses paid on their behalf.

For the year ended September 30, 2022, the Company paid rent of \$4,600 to a managing member for use of office space.

**Note 5. Commitments**

The Company signed an advising agreement with a company to provide management advising for areas such as strategic industry advice, strategic launch plans, marketing, review of current franchise programs, and to provide training and establish communication with potential partners and clients. The agreement began July 1, 2023, and continues for one year. The monthly fee is \$8,333 per month. For the year ended September 30, 2023, the Company paid \$24,999 under the agreement. Anticipated expense for fiscal year ending September 30, 2024 is \$74,997.

**Salty Dawg LLC**

**Financial Statements**

**September 30, 2022**



**SALTY DAWG LLC**

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**Eric Hjerpe, CPA**  
**Brett Tennison, CPA, MBA**

#### Independent Auditor's Report

Managing Members  
Salty Dawg LLC  
Bloomington, Illinois

#### **Opinion**

We have audited the accompanying financial statements of Salty Dawg LLC (a Delaware corporation), which comprise the balance sheet as of September 30, 2022, and the related statements of income, 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 Salty Dawg LLC as of September 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Salty Dawg LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Salty Dawg LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Salty Dawg 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 Salty Dawg LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Hjeise + Tennison CPAs, LLC*  
Bloomington, IL  
December 8, 2022

**SALTY DAWG LLC  
BALANCE SHEET  
SEPTEMBER 30, 2022**

**ASSETS**

Current assets:	
Cash	\$ 40,020
Accounts receivable	18,120
Due from related parties	<u>2,628</u>
Total current assets	<u>60,768</u>
Total assets	<u>\$ 60,768</u>

**LIABILITIES AND MEMBERS' EQUITY**

Current liabilities:	
Accrued liabilities	\$ 2,500
Payroll liabilities	<u>7,452</u>
Total current liabilities	<u>9,952</u>
Members' Equity:	
Contributed capital	991,375
Accumulated deficit	<u>(940,559)</u>
Total members' equity	<u>50,816</u>
Total liabilities and members' equity	<u>\$ 60,768</u>

See independent auditor's report and accompanying notes.

**SALTY DAWG LLC  
INCOME STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Revenue	
Royalty income	\$ 16,628
Miscellaneous income	<u>584</u>
Total revenue	17,212
Expenses:	
Advertsing and promotion	62,452
Computer and internet	3,784
Insurance	27
Meals and entertainment	34
Supplies	3,826
Professional fees	48,095
Rent	5,201
Salaries and wages	125,815
Payroll taxes	10,402
Education	250
Travel	<u>9,373</u>
Total expenses	<u>269,259</u>
Net loss	<u>\$ (252,047)</u>

See independent auditor's report and accompanying notes.

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**SALTY DAWG LLC  
STATEMENT OF MEMBERS' EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Contributed Capital	Accumulated Deficit	Total Members' Equity
Balances, September 30, 2021	\$ 773,000	\$ (688,512)	\$ 84,488
Contributed capital	218,375	-	218,375
Net loss	-	(252,047)	(252,047)
Balances, September 30, 2022	\$ 991,375	\$ (940,559)	\$ 50,816

See independent auditor's report and accompanying notes.

**SALTY DAWG LLC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Cash flows from operating activities:	
Change in net assets	\$ (252,047)
Adjustments to reconcile change in net assets to cash provided by activities:	
(Increase) in accounts receivable	(16,860)
(Increase) in due from related party	(1,701)
Increase in accrued liabilities	250
Increase in payroll liabilities	<u>1,987</u>
Net cash used by operating activities	(268,371)
Cash flows from financing activities:	
Contributed capital from members	<u>218,375</u>
Net cash provided by financing activities	<u>218,375</u>
Net decrease in cash	(49,996)
Cash at the beginning of the period	<u>90,016</u>
Cash at the end of the period	<u>\$ 40,020</u>
Supplemental disclosure:	
Interest paid	\$ -
Income taxes paid	\$ -

See independent auditor's report and accompanying notes.

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**SALTY DAWG LLC  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**Note 1. Nature of Activities and Significant Accounting Policies**

Nature of Activities: Salty Dawg LLC (the Company) was incorporated as a limited liability company under the laws of the state of Delaware on August 13, 2018. The Company was incorporated for the purpose of, but not limited to, franchising pet salons and providing training needed to operate the pet salon business.

There are currently two franchise locations, one in Atlanta, GA and one in Katy, TX as well as one affiliate location in Normal, IL. As of September 30, 2022 there are signed franchise agreements for an additional 11 locations with the expectation that new franchise locations will be opening during 2023.

Significant accounting policies are as follows:

Fiscal Year: The Company operates with a fiscal year ending September 30.

Basis of Presentation: The Company's books are maintained on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Revenue Recognition: Royalty income is recognized each month as a percentage of sales at each franchise location per the franchise agreement. The Company recognizes income per ASC 606, *Revenue from Contracts with Customers*, which considers the period over which the income is earned. The Company recognizes franchise fees per Subtopic 952-606 of ASC 606, *Franchisors – Revenue for Contracts with Customers: Practical Expedient*. This subtopic impacts the amount and timing of revenue recognized in the Company's financial statements as it pertains to franchise fees. Based on the Company's evaluation process and review of its franchise contracts, the timing and amount of revenue recognized for franchise fees will correlate to performance obligations within the franchise agreement. No franchise fees have been earned or collected to date. Sales of products are recognized at the time of sale.

Cash: Cash balances are maintained in bank deposit accounts.

Inventory: Inventory includes supplies and promotional items that can purchased by the franchise locations to be used or sold. Inventory is valued at cost and expensed to cost of sales using the first-in, first-out (FIFO) method. No inventory was on hand at September 30, 2022.

Advertising Costs: Advertising costs are charged to operations when incurred. For the year ended September 30, 2022, \$62,452 was charged to advertising expense.

Income Taxes: The Company operates as a limited liability company taxed as a partnership. As such, the net income from the Company flows through to the members and is taxed on their individual income tax returns. As a result, no provision for income taxes is being made on these financial statements.

**SALTY DAWG LLC**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2022**

**Note 1. Nature of Activities and Significant Accounting Policies (continued)**

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

Subsequent Events: Subsequent events were evaluated through December 8, 2022, the date the financial statements were available to be issued. No reportable events existed through that date.

**Note 2. Income Taxes**

U.S. generally accepted accounting principles require management to evaluate tax positions taken and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by applicable taxing authorities. Management has analyzed the tax positions taken and has concluded that as of September 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax years 2019, 2020 and 2021 are open to examination in all jurisdictions.

**Note 3. Related Parties**

The Company paid rent of \$4,600 to a managing member for the use of office space.

One franchise location is owned by an immediate family member of one of the managing members. This same family member has signed a franchise agreement for one additional location.

A managing member owns an affiliate location in Normal, IL. The location is not considered a franchise and therefore does not pay royalties.

As of September 30, 2022, there is \$2,628 due from the affiliate store for expenses paid on their behalf.

**Note 4. Commitments**

The Company signed an agreement with a firm to provide public relations services designed specifically to raise awareness about Salty Dawg LLC franchise opportunities nationally. The agreement was for six months beginning in April 2022 with a fee of \$3,040 per month. The agreement was renewed beginning in October 2022 for an additional six months. Total expense recognized under this agreement for the year ended September 30, 2022 is \$18,240 and is included in advertising and promotion expense. Anticipated expense for fiscal year ending in 2023 per the six month renewal is \$18,240.

SALTY DAWG, LLC

Financial Statements

As of September 30, 2021



**SALTY DAWG, LLC**

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Notes to Financial Statements.....	6-8

Independent Auditor's Report

Managing Members  
Salty Dawg, LLC.  
Bloomington, Illinois

We have audited the accompanying financial statements of Salty Dawg, LLC (a limited liability company), which comprise the balance sheet, as of September 30, 2021 and the related statements of income, members' equity, and cash flows for the year then ended and related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salty Dawg, LLC as of September 30, 2021, and the results of operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Hjerpe & Tennison CPAS, LLC*

Certified Public Accountants  
Bloomington, IL  
December 6, 2021

**SALTY DAWG, LLC  
BALANCE SHEET  
AS OF SEPTEMBER 30, 2021**

**ASSETS**

Current assets:	
Cash	\$ 90,016
Accounts receivable	<u>2,187</u>
Total current assets	<u>92,203</u>
Total assets	<u><u>\$ 92,203</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

Current liabilities:	
Accrued liabilities	\$ 7,715
Total current liabilities	<u>7,715</u>
Members' Equity:	
Contributed capital	773,000
Accumulated deficit	<u>(688,512)</u>
Total members' equity	<u>84,488</u>
Total liabilities and members' equity	<u><u>\$ 92,203</u></u>

See independent auditor's report and accompanying notes.

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**SALTY DAWG, LLC  
INCOME STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Revenue	
Royalty income	\$ 14,418
Sales of products	714
Miscellaneous income	<u>250</u>
Total revenue	15,382
Cost of sales	<u>(707)</u>
Gross margin	14,675
Expenses:	
Advertsing and promotion	50,816
Bank service charge	50
Computer and internet	9,388
Grooming supplies	2,527
Insurance	555
Meals and entertainment	136
Office supplies	2,048
Professional fees	40,752
Rent	6,800
Salaries and wages	156,731
Payroll taxes	13,027
Education	649
Other	8
Travel	<u>7,101</u>
Total expenses	<u>290,588</u>
Net loss from operations	(275,913)
Other income	
Gain on extinguishment of debt	<u>26,000</u>
Total other income	<u>26,000</u>
Net loss	<u>\$ (249,913)</u>

See independent auditor's report and accompanying notes.

**SALTY DAWG, LLC  
STATEMENT OF MEMBERS' EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Total Members' Equity</u>
Balances, September 30, 2020	\$ 486,750	\$ (438,599)	\$ 48,151
Contributed capital	286,250	-	286,250
Net loss	<u>-</u>	<u>(249,913)</u>	<u>(249,913)</u>
Balances, September 30, 2021	<u>\$ 773,000</u>	<u>\$ (688,512)</u>	<u>\$ 84,488</u>

See independent auditor's report and accompanying notes.

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**SALTY DAWG, LLC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Cash flows from operating activities:	
Change in net assets	\$ (249,913)
Adjustments to reconcile change in net assets to cash provided by activities:	
Gain on extinguishment of debt	(26,000)
(Increase) in accounts receivable	(2,168)
Decrease in inventory	942
(Decrease) in accounts payable	(682)
(Decrease) in accrued liabilities	<u>(1,182)</u>
Net cash used by operating activities	(279,003)
Cash flows from financing activities:	
Contributed capital from members	<u>286,250</u>
Net cash provided by financing activities	<u>286,250</u>
Net increase in cash	7,247
Cash at the beginning of the period	<u>82,769</u>
Cash at the end of the period	<u><u>\$ 90,016</u></u>
Supplemental disclosure:	
Interest paid	\$ -
Income taxes paid	\$ -

See independent auditor's report and accompanying notes.

**SALTY DAWG, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2021**

**Note 1. Nature of Activities and Significant Accounting Policies**

Nature of Activities: Salty Dawg, LLC (the Company) was incorporated as a limited liability company under the laws of the state of Delaware on August 13, 2018. The Company was incorporated for the purpose of, but not limited to, franchising pet salons and providing training needed to operate the pet salon business.

There is currently one franchise operating in Atlanta, GA. On September 28, 2021 a franchise agreement was signed for an additional 5 locations with hopes the first location will be opened during 2022.

Significant accounting policies are as follows:

Accounting Basis: The Company's books are maintained on the accrual basis of accounting.

Fiscal Year: The Company operates with a fiscal year ending September 30.

Basis of Presentation: The Company presents its financial statement in accordance with U.S. generally accepted accounting principles (GAAP).

Revenue Recognition: Royalty income is recognized each month as a percentage of sales at each franchise location per the franchise agreement. Sales of products are recognized at the time of sale. In 2019, the Company adopted ASC 606, *Revenue from Contracts with Customers*, which amended the existing accounting standards for revenue recognition. No changes were required to previously recorded revenues as a result of this adoption. In 2021, the Company adopted Subtopic 952-606 of ASC 606, *Franchisors – Revenue for Contracts with Customers: Practical Expedient*. The adoption of this subtopic impacts the amount and timing of revenue recognized in the Company's financial statements as it pertains to franchise fees. Based on the Company's evaluation process and review of its franchise contracts, the timing and amount of revenue recognized for franchise fees will correlate to performance obligations within the franchise agreement. Because no franchise fees have been earned or collected to date, no changes were required to previously reported revenues as a result of the adoption.

Cash: Cash balances are maintained in bank deposit accounts.

Inventory: Inventory includes supplies and promotional items that can purchased by the franchise locations to be used or sold. Inventory is valued at cost and expensed to cost of sales using the first-in, first-out (FIFO) method. No inventory was on hand at September 30, 2021.

**SALTY DAWG, LLC**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**AS OF SEPTEMBER 30, 2021**

**Note 1. Nature of Activities and Significant Accounting Policies (continued)**

Advertising Costs: Advertising costs are charged to operations when incurred. For the year ended September 30, 2021, \$50,816 was charged to advertising expense.

Income Taxes: The Company operates as a limited liability company taxed as a partnership. As such, the net income from the Company flows through to the members and is taxed on their individual income tax returns. As a result, no provision for income taxes is being made on these financial statements.

Concentration of Credit 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 and believes it is not exposed to any significant credit risk on cash balances. The Company has no uninsured cash balance on September 30, 2021.

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

**Note 2. Gain on Extinguishment of Debt**

In March 2020, the Payroll Protection Program was established by the CARES Act. This program was implemented by the Small Business Administration (SBA) and provided small businesses with funds to pay up to 24 weeks of payroll costs, benefits, rent and utilities. Proceeds were issued by a local lender and a note payable to the bank was executed. The Company received \$26,000 through the Payroll Protection Program on April 21, 2020. At the end of the 24-week period, the Company was allowed to apply for total forgiveness of the loan balance. The Company used the entire loan for qualifying expenses and forgiveness was granted on July 26, 2021. Accordingly, a gain on extinguishment of debt of \$26,000 was recorded as other income on the Income Statement and as a non-cash operating activity on the Statement of Cash Flows for the year ended September 30, 2021.

**Note 3. Income Taxes**

U.S. generally accepted accounting principles require management to evaluate tax positions taken and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by applicable taxing authorities. Management has analyzed the tax positions taken and has concluded that as of September 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

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**SALTY DAWG, LLC**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**AS OF SEPTEMBER 30, 2021**

**Note 3. Income Taxes (continued)**

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax years 2019, 2020 and 2021 are open to examination in all jurisdictions.

**Note 4. Related Parties**

The Company paid \$6,800 to a shareholder for the use of office space. The space is used on an as needed basis and no future lease obligations exist.

**Note 5. Risks and Uncertainties**

In early March 2020, the COVID-19 virus was declared a global pandemic. The opening of the first franchise location was delayed due to government restrictions. The franchise location eventually opened in August 2020 and began paying royalties in October 2020. A new franchise agreement was signed on September 28, 2021 for five additional locations. Management has been carefully monitoring the situation and evaluating the Company's ongoing financial plan for opening additional locations during 2022 but cannot estimate the potential loss of revenue and income if additional shutdowns are ordered.

**Note 6. Subsequent Events**

Subsequent events were evaluated through December 6, 2021, the date the financial statements were available to be issued. No reportable events existed through that date.

**EXHIBIT B**

**FRANCHISE AGREEMENT**

## Franchise Agreement



### SUMMARY PAGE

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

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**ATTACHMENTS**

- ATTACHMENT A – DATA SHEET AND STATEMENT OF OWNERSHIP
  - SCHEDULE 1 TO ATTACHMENT A – TERRITORY DESCRIPTION
  - SCHEDULE 2 TO ATTACHMENT A – SITE APPROVAL ADDENDUM
- ATTACHMENT B – OWNERS AGREEMENT
- ATTACHMENT C – LEASE ADDENDUM

**SALTY DAWG, LLC**  
**FRANCHISE AGREEMENT**

This Franchise Agreement (“**Franchise Agreement**”) is made and entered into by and between Purely Pet LLC d/b/a Salty Dawg, a Virginia limited liability company (“**Franchisor**”), and the entity or individual(s) identified on the signature page (“**Franchisee**”)

**RECITALS**

A. As the result of the expenditure of time, skill, effort and money, Franchisor and its Affiliates (as defined below) have developed and own the rights to franchise a unique and distinctive system (“**System**”) relating to the establishment and operation of facilities at an Approved Location (defined in Section 1 below) that provide (A) at present, high-end pet grooming services, retail sales of pet food and pet treats, retail sales of various pet merchandise, and other services related to pet care to pet owners and (B) in the future, may include providing training to groomers and offering groomer certifications, all under certain trademarks, including the “**Salty Dawg Pet Salon**” registered mark, the “**Sweet Dawg Pet Bakery**” trademark, and or related services marks and logos (“**Franchised Business**”).

B. The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, décor, color scheme, and furnishings of a Franchised Business; proprietary services and products that are offered to clientele of a Franchised Business; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the “**Salty Dawg Pet Salon**” registered trademark, the “**Sweet Dawg Pet Bakery**” trademark, and such other trade names, service marks, and trademarks as are now designated for use in connection with the System (hereinafter referred to as “**Proprietary Marks**”). The Proprietary Marks are licensed to Franchisor so that Franchisor may use and sublicense the right to use the Proprietary Marks.

D. Franchisor and its Affiliates continue to develop, use and control the use of such Proprietary Marks in order to identify for the public the source of marketed services and products marketed and under the System, and to represent the System’s high standards of quality, appearance and service.

E. Franchisee understands and acknowledges the importance of Franchisor’s high standards of quality, cleanliness, appearance, and service, and the necessity of operating the Franchised Business (“**System Standards**”). Franchisee must comply with this Franchise Agreement and the System Standards and other requirements that Franchisor or its Affiliates may periodically prescribe for operating a Franchised Business.

F. Franchisee has applied for a franchise to own and operate a single Franchised Business.

G. Franchisor hereby grants Franchisee the right to own and operate a Franchised Business using Franchisor’s Proprietary Marks and System, in reliance upon all the representations made in Franchisee’s application and in this Franchise Agreement, and subject to the terms and conditions herein.

NOW, THEREFORE, the parties agree as follows:

## 1. DEFINITIONS

Whenever used in this Franchise Agreement, the following words and terms have the following meanings:

1.1 “**Affiliate**” means any entity that controls, is controlled by, or is under common control with Franchisor;

1.2 “**Approved Location**” means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

1.3 “**Designated Manager**” means the person designated by Franchisee that Franchisor approves and who has primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager shall be Franchisee;

1.4 “**Franchise**” means the right granted to Franchisee by Franchisor to use the System and Proprietary Marks;

1.5 “**Gross Revenues**” means the total selling price of all services and products sold at and accrued at, from, or through Franchisee’s Franchised Business, whether or not sold or performed at or from Franchisee’s Franchised Business, and all income and revenue of every other kind and nature related to the Franchised Business operation, whether for cash or credit, and regardless of collection in the case of credit. “**Gross Revenues**” does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged, and Franchisee pays such amounts as and when due to the appropriate taxing authority. Also excluded from Gross Revenues are the amount of any documented refunds, charge-backs, credits and allowances given to customers in good faith pursuant to Franchisor’s standard procedures for issuing such refunds. All barter and exchange transactions for which Franchisee furnishes services or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer will be valued at the full retail value of the goods or services provided to Franchisee;

1.6 “**Incapacity**” means the inability of Franchisee to operate or oversee the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

1.7 “**Internet**” means any one or more local or global interactive communications media that is now available, or that may become available, and includes websites and domain names on the World Wide Web and any kind of social media account, post, or profile;

1.8 “**Guide**” means the Franchisor’s proprietary franchise Guide, and any other items as may be provided, added to changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and manager’s Guides and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

1.9 “**Proprietary Marks**” means either the trademark “**Salty Dawg Pet Salon**” in both word and design mark form, and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols related to the “**Salty Dawg Pet Salon**” trademark as Franchisor may designate to be used in connection with Franchised Business and/or the System;

**1.10 “System”** means the uniform standards, methods, procedures and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of a Franchised Business;

**1.11 “System Standards”** means all mandatory and suggested specifications, policies, standards, safety requirements, operating procedures, and rules periodically prescribed by Franchisor concerning the operation of a Franchised Business, and any information on Franchisee’s other obligations under the Franchise Agreement to maintain the high and consistent quality critical to attracting and keeping clients of Franchised Businesses and preserving the goodwill of the Proprietary Marks, including without limitation the Guide; and

**1.12 “Trade Secrets”** means information, without regard to form including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential clients or suppliers which are not commonly known by or available to the public and which information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

## **2. GRANT OF FRANCHISE; APPROVED LOCATION**

**2.1 Grant and Acceptance.** Franchisor hereby grants to Franchisee, upon the express terms and conditions contained in this Franchise Agreement, and Franchisee hereby accepts, a non-exclusive license to establish and operate one (1) Franchised Business utilizing the System and the “Salty Dawg Pet Salon” Proprietary Marks. Franchisor has the right to periodically supplement, improve or otherwise modify the System and System Standards. Franchisee shall comply with all changes that may include, without limitation, the offer and sale of new or different products or services through the Franchised Business as Franchisor may specify.

**2.2 Approved Location.** Franchisee shall operate the Franchised Business only at the Approved Location identified in **Attachment A (“Data Sheet”)**. Franchisee may not relocate the Franchised Business without Franchisor’s prior written consent, which Franchisor has the right to grant or deny for any reason or no reason, and Franchisee must reimburse Franchisor for Franchisor’s cost in reviewing, evaluating, approving or assisting in any relocation following the Site Selection procedures set forth in Section 7 of this Franchise Agreement. In the event Franchisee has not secured an Approved Location as of the Effective Date, then Franchisee will secure an Approved Location in the Protected Territory within one hundred eighty (180) days of the Effective Date as provided in Section 7 of this Franchise Agreement, and the Parties will execute **Schedule 2 to Attachment A (“Site Approval Addendum”)**, which will be made part of this Agreement. Further, the Parties will enter into Franchisor’s prescribed form of lease addendum attached to this Franchise Agreement as **Attachment C (“Lease Addendum”)**.

**2.3 Protected Territory.** Except as otherwise provided in this Franchise Agreement and for so long as Franchisee is not in default of this Franchise Agreement, Franchisor will not establish and operate, nor license any other third party the right to establish and operate, a Franchised Business within the standard geographical area (“**Protected Territory**”) during the term of this Franchise Agreement. The Protected Territory is set forth in **Schedule 1 to Attachment A** of this Agreement.

**2.4 Rights Within and Outside Protected Territory.** Franchisee may market and promote the Franchised Business and the authorized products and services through its Franchised Business outside of the Protected Territory, provided the Franchisee first obtains Franchisor’s prior written consent. Franchisee may not solicit business in any other franchisee’s protected territory. All sales and other activity must be

conducted in accordance with the terms of this Franchise Agreement and System Standards. Franchisee may accept customers from outside Franchisee's Protected Territory, provided Franchisee did not solicit such customers by advertising outside of Franchisee's Protected Territory. If Franchisee wishes to advertise outside of the Protected Territory, Franchisor may condition its consent upon Franchisee's agreement to offer other franchisees operating in territories encompassed by the circulation base of Franchisee's proposed advertising the opportunity to participate in, and share the expense of, such solicitation and/or advertising.

**2.5 Reserved Rights.** We, our parent, and our Affiliates reserve all rights not expressly granted in the Franchise 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 Business 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 Franchise 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 Franchise Agreement, anywhere.

**2.6 Other Brands.** We, an Affiliate, or another related party 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. 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 Protected Territory or Approved Location.

**2.7 Other Services.** We, an Affiliate, or another related party may offer similar services under the same, similar, or different trademark within your Territory using the same or different trademarks from the ones you will use under this Agreement. You are only permitted to offer the products and services approved by us, regardless of whether we, an Affiliate, or another related party offer such services.

**2.8 Disputes with Other Brands.** In the event of any conflict between Franchisee and a franchisee of our Affiliate(s), or Franchisor's related party; including but not limited to, conflicts regarding territory, customers, or franchisor support, Franchisee acknowledges and agrees that Franchisor and its Affiliate(s) or related party, will be the sole determiner of how the conflict should be resolved.

### 3. FEES

**3.1 Franchise Fee.** Franchisee shall pay to Franchisor, on execution of this Franchise Agreement, a non-refundable initial franchise fee of Forty Thousand Five Hundred Dollars (\$40,500) ("**Initial Franchise Fee**"). The Initial Franchise Fee is non-refundable for any reason once paid. Franchisee may, at the time Franchisee signs this Franchise Agreement, purchase the rights to open two or more Franchised Businesses. If Franchisee purchases the right to open two or more Franchised Businesses, Franchisee will sign the "Multi-Unit Option Agreement," the form of which is attached to the franchise disclosure document in **Exhibit C**. To open additional Franchised Businesses under the Multi-Unit Option Agreement, Franchisee will not be required to pay an Initial Franchise Fee (all other fees, including those stated in the Multi-Unit Option Agreement, will apply). The entire Initial Franchise Fee is deemed fully earned upon payment and is not refundable under any circumstances, in consideration of: (i) administrative, legal and other expenses incurred by Franchisor in granting this franchise; and (ii) Franchisor's lost or deferred opportunity to enter into this Franchise Agreement with others. However, Franchisee will execute the then-current Franchise Agreement at the time it desires to open each location.

**3.2 Royalty Fee.** Franchisee shall, on or before the 5<sup>th</sup> of each month, following the month during which the revenues were generated ("**Previous Month**"), pay to Franchisor a monthly continuing royalty fee ("**Royalty Fee**") of eight percent (8%) of Gross Revenues for the Previous Month, subject to a minimum amount of \$1,000 per month (the "**Minimum Royalty Fee**"). The Royalty Fee begins immediately; however, the Minimum Royalty Fee will not apply until the earlier of (i) the third month in which the Franchised Business is open for business to the general public or (ii) one (1) year from the Effective Date. Except that the Minimum Royalty Fee will begin immediately on any successor agreement or renewal. All Royalty Fees and Minimum Royalty Fees are nonrefundable upon receipt for any reason.

**3.3 Advertising Fund Fee.** Franchisor has established a System-wide marketing and advertising fund (the "**Advertising Fund**") as set forth more fully in Section 9 of this Franchise Agreement. Franchisee shall pay two percent (2%) of Gross Revenues to the Advertising Fund ("**Advertising Fund Fee**"), which will be due and payable on a monthly basis at the same time and in the same manner as the Royalty Fee. Franchisor reserves the right to increase the required contribution, per instance, up to five one hundredths of a percent (.05%) of Gross Revenues by giving the Franchisee ninety (90) days' notice. The Advertising Fund Fee is non-refundable for any reason once paid.

**3.4 Technology Fee.** Franchisor has established the technology fee for maintenance of Franchisor's systems, website, and e-mail. Franchisee must pay the Technology Fee, currently \$125 per month, which will be due and payable on a monthly basis at the same time and in the same manner as the Royalty Fee. Franchisor reserves the right to increase the Technology Fee by giving the Franchisee thirty (30) days' notice. The Technology Fee is non-refundable for any reason once paid.

**3.5 Contact Center Fee.** Franchisor has the right, upon thirty (30) days' advance written notice to Franchisee, to establish a Contact Center in accordance with Section 8.8 and to implement a Contact Center fee ("**Contact Center Fee**"). When imposed by Franchisor, Franchisee shall pay to Franchisor, at the same time and in the same manner that Franchisee pays Royalty Fees, the Contact Center Fee as set forth in the Guide, or such other amount as Franchisor determines in Franchisor's discretion, for purposes of defraying the cost of providing Contact Center support to Franchisee. Franchisor shall be entitled to use the Contact

Center Fee in any way it determines necessary or desirable in to establish and operate a Contact Center designed to support the System. The Contact Center Fee is non-refundable for any reason once paid.

**3.6 Gross Revenues Reports.** Franchisee must keep complete and accurate records of revenues as set forth in the System Standards. Franchisee permits Franchisor to access Franchisee’s records. Franchisee shall cooperate with Franchisor in determining Gross Revenues and the other payments and fees set forth in this Agreement. Notwithstanding Franchisor’s independent access to records, Franchisee must submit a monthly gross revenue report including the prior month’s sales showing all monies received or accrued, sales or other services performed, and such other information concerning your financial affairs as we may reasonably require (“**Gross Revenues Report**”). The Gross Revenues Report is due the same day as the Royalty Fee or as otherwise designated by Franchisor. Franchisor may periodically change the form and content of the Gross Revenues Reports.

**3.7 Method of Payment.**

3.7.1 *EFT Program.* With the exception of the Initial Franchise Fee, Franchisee shall pay all fees due to Franchisor under this Franchise Agreement through an electronic funds transfer (“**EFT**”). At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee’s bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Franchise Agreement, Franchisee shall sign and provide to Franchisor and Franchisee’s bank, all documents, including Franchisor’s form of EFT Authorization Form attached to the franchise disclosure document, necessary to effectuate Franchisor’s ability to withdraw funds from such bank account via EFT. Franchisee shall immediately notify Franchisor of any change in Franchisee’s banking relationship, including changes in account numbers. Franchisor shall have the right to periodically specify (in the Guide or otherwise in writing) different payees and/or payment methods, such as, but not limited to, weekly/biweekly payment, payment by auto-draft, and payment by check. Franchisor reserves the right to charge a service fee of up to four percent (4%) for any payment paid to it or its Affiliates by credit card.

3.7.2 *Non-Submission of Gross Revenues Reports.* If the Gross Revenues Report has not been received as required by this Franchise Agreement, then Franchisor may process an EFT for the month based on the most recent Gross Revenues Report provided by Franchisee to Franchisor, provided, that if a Gross Revenues Report for the month is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee’s designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then Franchisor shall credit the excess amount to the payment of Franchisee’s future obligations.

3.7.3 *Right to Modify Payment Interval or Method.* Franchisor reserves the right to modify its method or interval for collecting any fees Franchisee must pay under this Franchise Agreement upon notice to Franchisee, and Franchisor may provide such notice via the Guide or any other manner that Franchisor deems appropriate.

**3.8 Late Payments and Interest.** Any amounts due Franchisor under this Franchise Agreement, including without limitation, Royalty Fees and Fund Contributions and amounts due for purchases made by Franchisee from Franchisor or its Affiliates, that are not received by Franchisor (or, if appropriate, its Affiliate) by the due date for said payment will bear interest until it is paid in full at the lesser of the rate of one and one half percent (1.5%) per month, or the maximum rate permitted by law. If any check or EFT payment is not successful due to insufficient funds, stop payment, or any similar event, Franchisee shall pay Franchisor One Hundred Dollars (\$100) per occurrence. Franchisee must also pay Franchisor for all

costs incurred by Franchisor in the collection of any unpaid and outstanding amounts due Franchisor (or its Affiliate), including without limitation, reasonable accounting and legal fees. The foregoing remedy shall be in addition to any other remedies the Franchisor may possess, as permitted by law. Franchisee acknowledges that this paragraph shall not constitute agreement by the Franchisor to accept such payments after they are due or a commitment by the Franchisor to extend credit to, or otherwise finance Franchisee's operation of Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due will constitute grounds for termination of this Franchise Agreement if non-payment is not timely cured as set forth in this Franchise Agreement.

**3.9 Franchisor's Right to Apply Franchisee Payments.** Notwithstanding any designation by Franchisee, the Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee in connection with payments due under this Franchise Agreement, amounts due in connection with purchases from the Franchisor and any of its Affiliates, interest or any other indebtedness.

**3.10 No Right to Off Set.** Franchisee cannot set off any payments required to be made to Franchisor under this Franchise Agreement against any monetary claim it may have against Franchisor.

**3.11 Taxes.** Franchisee shall be responsible for paying any and all taxes and sales taxes collected in connection with the Franchised Business to the appropriate government entity.

**3.12 Reimbursement.** Franchisor may (but is never obligated to) pay on Franchisee's behalf any amount that Franchisee owes to a supplier or other third party. If Franchisor does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to Franchisor within 15 days after invoice by Franchisor accompanied by reasonable documentation.

**3.13 Non-compliance Fee.** Franchisor may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee's non-payment of a fee owed to Franchisor) which Franchisee fails to cure after 15 days' notice. Thereafter, Franchisor may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of Franchisor's internal cost of personnel time attributable to addressing the non-compliance and is not a penalty or estimate of all damages arising from Franchisee's breach. The noncompliance fee is in addition to all of Franchisor's other rights and remedies.

#### 4. **TERM AND SUCCESSOR FRANCHISE AGREEMENTS**

**4.1 Initial Term.** This Franchise Agreement shall be effective and binding from the date of its execution by Franchisor and will, unless earlier terminated by Franchisor under this Franchise Agreement, expire on the earlier of (a) the date that is ten (10) years from the date Franchisee first opens the Approved Location for Business or (b) the date the initial term of Franchisee's lease expires.

**4.2 Successor Term.** Franchisee may receive from Franchisor the option to enter into Successor Franchise Agreements for one (1) additional, successor term of ten (10) years, provided that all of the following conditions have been fulfilled:

4.2.1 Franchisee has, during the entire term of this Franchise Agreement, substantially complied with all material provisions herein;

4.2.2 Franchisee has access to and, for the duration of any successor franchise term, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which must be in full compliance with Franchisor's System Standards;

4.2.3 Franchisee has, at its sole expense, made such capital expenditures as were necessary to maintain uniformity with any System modifications such that the Franchised Business reflects the System Standards prior to the expiration of the Initial Term;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate) and has timely met these obligations throughout the term of this Franchise Agreement;

4.2.5 Franchisee is not in default of any provision of this Franchise Agreement or any other agreement between Franchisee and Franchisor, its Affiliates or any of Franchisor's Approved Suppliers (as defined in this Franchise Agreement);

4.2.6 Franchisee has given written notice of its intent to seek a successor franchise term, no less than nine (9) calendar months, and no more than twelve (12) calendar months, prior to the expiration of the then-current term;

4.2.7 Franchisee has executed Franchisor's then-current form of the Franchise Agreement, the terms of which: (i) will supersede this Franchise Agreement in all respects, and (ii) may materially differ from the terms of this Franchise Agreement by requiring, among other things, a different percentage Royalty Fee or Advertising Fund Contribution (provided, however, that Franchisee shall not be required to pay Franchisor's then-current Initial Franchise Fee under such a successor franchise agreement);

4.2.8 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with Franchisor's then-current training requirements for successor franchisees; and

4.2.9 Franchisee has executed a general release of any and all claims against Franchisor, its Affiliate(s) and against their respective officers, directors, shareholders and employees, in substantially the form as set forth in **Exhibit F-1** to the franchise disclosure document;

4.2.10 Franchisee has obtained and maintained all licenses, permits and approvals required by federal and state law applicable to providing the Franchisor's authorized products and services at the Approved Location and operated in the Franchise Business at the Approved Location; and

4.2.11 Franchisee has paid a successor franchise fee of Ten Thousand Dollars (\$10,000) ("**Successor Franchise Fee**") at least thirty (30) days prior to the expiration of the Franchise Agreement.

## 5. **MARKS.**

**5.1** Franchisee's right to use the Proprietary Marks is derived solely from this Franchise Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Franchise Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. The Parties agree and acknowledge that any unauthorized use of the Proprietary Marks by Franchisee constitutes both a breach of this Franchise Agreement and intentional infringement of Franchisor's trademark rights in and to the Proprietary Marks. Franchisee's use of the Proprietary Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Proprietary Marks by virtue of any use it may make of the Proprietary Marks. This Franchise Agreement does not confer any goodwill, title or interest in the Proprietary Marks to Franchisee. Franchisee shall not, at any time during the term of this Franchise Agreement or after its termination or expiration: (i) challenge or contest the validity or ownership of any of the Proprietary Marks; or (ii) assist any other person in challenging or contesting the validity or ownership of any of the Proprietary Marks in any manner.

**5.2 Limitations on Use.** Franchisee shall not use any portion of the Proprietary Mark or trade name as part of any corporate or trade name, including without limitation, any use of such name or Proprietary Mark with any prefix, suffix or other modifying words, terms, designs or symbols or in any other modified form, without the prior written consent of Franchisor. In the event a modification is approved by Franchisor, such modification will be considered the property of Franchisor and Franchisor may license such modification to third parties. Franchisee may not use any trade name or any Proprietary Mark in connection with the sale of any unauthorized products or services, or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and provide Franchisor with a copy of any fictitious or assumed name registrations that Franchisor permits Franchisee to obtain. Franchisee shall not register or seek to register as a trademark or service mark, with either the United States Patent and Trademark Office or any state or foreign country, any of the Proprietary Marks or a trademark or service mark that is confusingly similar to any Proprietary Mark licensed to Franchisee. Franchisee must display a prominent notice stating that the Franchised Business is an “Independently Owned and Operated Franchise” of Franchisor on all letterhead, forms, cards and other such identification, and Franchisee must also display such a notice at the Approved Location.

**5.3 Notification of Infringements and Claims.** Franchisee must notify Franchisor within seven (7) business days of obtaining notice or knowledge of any claim, demand or cause of action based upon, or arising from, any attempt by any other person or business to use the Proprietary Marks or any colorable imitation thereof notify Franchisor of such claim, demand or cause of action. Franchisee must notify Franchisor of any action, claim or demand against Franchisee relating to the Proprietary Marks within seven (7) business days after Franchisee receives notice of said action, claim or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Proprietary Marks, Franchisor has the right, at its option, to control the defense of any such action. Franchisor has the exclusive right to contest or bring action against any third party regarding that third party’s use of any of the Proprietary Marks and shall exercise such right in its sole discretion. Franchisee shall not communicate with any person other than Franchisor and Franchisor’s counsel in connection with any such infringement, challenge, contest, action or claim; provided, however, Franchisee may communicate with its counsel at its own expense. In any defense or prosecution of any litigation relating to the Proprietary Marks or components of the System undertaken by Franchisor, Franchisee must use its best efforts to fully cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or necessary, in the opinion of Franchisor’s counsel, to carry out such defense or prosecution. Both Parties shall make every effort consistent with the foregoing to protect, maintain and promote the Proprietary Marks as identifying the System.

**5.4 Indemnification for Use of Proprietary Marks.** Franchisor may indemnify, defend and hold Franchisee harmless for any third party claims brought against Franchisee that solely arise out of Franchisee’s expressly authorized use of the Proprietary Marks in connection with the Franchised Business, but Franchisor shall not be obligated to do so under any circumstances. In the event Franchisor does elect to indemnify Franchisee under this Section, Franchisee must have strictly complied with all notice and other requirements under this Section and must continue to do so until the matter is resolved.

**5.5 Discontinuance of Use.** If Franchisor determines in its sole discretion that it is advisable or necessary to discontinue, supplement or otherwise modify any of the Proprietary Marks used in connection with the Franchised Business and/or System, including using one or more substitute or additional marks, trade names or other commercial symbols, Franchisor will provide Franchisee with written notice of this determination and directives for implementing any such change in the Proprietary Marks. Franchisee agrees and acknowledges that it must comply with Franchisor’s directives within ten (10) business days of receiving notice from Franchisor, unless Franchisor directs Franchisee that the change must be made immediately in order to resolve any third-party claim or dispute regarding the Proprietary Marks. Franchisor

will not be required to reimburse Franchisee for any expenses it incurs in connection with: (i) modifying or discontinuing the use of a Proprietary Mark; (ii) any alleged loss of goodwill associated with any modified or discontinued Proprietary Mark; or (iii) for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

**5.6 Right to Inspect.** Franchisor and/or its designees will have the irrevocable right to enter and inspect the Franchised Business and the Approved Location at all reasonable times in order to: (i) ensure that Franchisee is properly using and displaying the Proprietary Marks in the operation of the Franchised Business; (ii) observe the manner in which Franchisee is rendering its services and conducting its activities and operations to ensure compliance with System Standards and specifications; and (iii) inspect facilities, financials, equipment, supplies, reports, forms and documents and related data to ensure that Franchisee is otherwise operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and/or its designee also have the right, at any reasonable time, to remove sufficient quantities of any item used in the rendering of services, to test whether such item meet Franchisor's then-current standards. Franchisor may conduct such inspections during any regular business hours of the Franchised Business (as prescribed herein or the Guide) without notice to the Franchisee, provided Franchisor has a good faith belief that its inspection will not substantially disrupt the operations of the Franchised Business. Otherwise, Franchisor may provide twenty-four (24) hours' notice of such inspection.

**5.7 Franchisor's Sole Right to Domain Names and Social Media Accounts.** Franchisee hereby acknowledges that Franchisor and its Affiliates are the owners or all rights, title and interest in the registration of the domain name [www.saltydawgpetsalon.com](http://www.saltydawgpetsalon.com) and any other domain used for the System (each a "**Domain Name**") and any social media account, post, or profile used for the System (each a "**Social Media Account**"). During the term of this Franchise Agreement and thereafter, Franchisee agrees not to establish, create, traffic in, or operate any Social Media Account, Internet site, or website using an account name, domain name, or uniform resource locator containing any of the Proprietary Marks, including "Salty Dawg Pet Salon" or any portion or variation thereof. Franchisee agrees and acknowledges that Franchisor, its Affiliates and any licensor of Franchisor or its Affiliates retain the exclusive right to advertise on the Internet and create websites using the "Salty Dawg Pet Salon" name and any other Domain Name(s) or Social Media Account(s) that Franchisor may specify in the Guide or other writing. Franchisor is the sole owner of all right, title and interest in and to such Domain Names and Social Media Accounts. Franchisor may delegate certain of its rights and obligations under this Section 5.7 to Franchisee pursuant to, and in accordance with the terms of, the Guide.

**5.8 Improvements.** Any improvements or additions to the System, patents, copyrighted materials, the Domain Name, Social Media Accounts, website, or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business or any advertising and promotional ideas or inventions related to the Franchised Businesses (collectively, "**Improvements**") conceived or developed by Franchisee shall become Franchisor's property. Franchisee agrees to assign and does hereby assign to Franchisor, all right, title and interest in and to the Improvements, including the right to grant sublicenses to any such Improvement. Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's written approval prior to using such Improvements. Any Improvement may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties or other fees. Franchisor may apply for and own copyrights, patents, trade names, trademarks and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor in securing such rights. Franchisor may also consider such Improvements as the property and trade secrets of Franchisor. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other

franchisees. All Improvements created by Franchisee or any other person or entity retained or employed by Franchisee is Franchisor's property, and Franchisor shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meaning of the United States Copyright Act and, to the extent the Improvements are not works made for hire or rights in the Improvements do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Improvements, which Franchisee and the author of such Improvements warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure Franchisor's right in the Improvements as required in this Section.

**5.9 Photo/Video Release.** Franchisee hereby authorizes Franchisor to use its likeness in a photograph in any and all of Franchisor's publications, including printed and digital publications and on websites and Social Media Accounts. Franchisee agrees and understands that any photograph using Franchisee's likeness will become Franchisor's property and will not be returned. Franchisee irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph of Franchisee for any lawful purpose. Franchisee irrevocably waives any rights to royalties or any other compensation related to Franchisor's use of any photograph of Franchisee. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

## 6. **GUIDE**

**6.1 Loan by Franchisor.** During the term of this Franchise Agreement, Franchisor shall loan to Franchisee one (1) copy of the Guide. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Guide. The Guide may consist of one or more separate Guides and other materials as designated by Franchisor and may be in written or electronic form. The Guide shall, at all times, remain the sole property of Franchisor and Franchisee shall promptly return the Guide to Franchisor, and permanently destroy or delete all copies thereof, upon expiration or termination of this Franchise Agreement.

**6.2 Revisions to the Guide.** Franchisor has the right to add to or otherwise modify the Guide from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor. Franchisor will provide Franchisee with such changes or modifications to the Guide without any prior notice to Franchisee, and Franchisee must immediately adopt such changes upon receipt thereof.

**6.3 Confidentiality of Guide.** The Guide contains certain Trade Secrets and other Confidential Information (defined below) of Franchisor and shall be kept confidential by Franchisee both during the term of the Franchise Agreement and subsequent to the expiration or termination of this Franchise Agreement. Franchisee shall at all times ensure that its copy of the Guide is available at the Approved Location in a current and up-to-date manner. Franchisee shall not disclose, duplicate or otherwise use any portion of the Guide in an unauthorized manner. Franchisee shall maintain the Guide in a locked receptacle at the Approved Location and shall only grant authorized personnel, as defined in the Guide, access to the key or combination of such receptacle. If a dispute as to the contents of the Guide arises, the terms of the master copy of the Guide maintained by Franchisor at Franchisor's headquarters shall be controlling. At Franchisor's option, Franchisor may post some or all of the Guide, as well as updates thereto, on a restricted website or extranet to which Franchisee and others in the System will have access. If Franchisor chooses to do so, Franchisee shall monitor and access such website or extranet as frequently as Franchisor dictates in the Guide for any updates to the Guide or System Standards. All passwords or other digital identifications

necessary to access the Guide on a website or extranet are deemed “**Confidential Information**” as defined in this Franchise Agreement.

## 7. **SITE SELECTION AND FRANCHISED BUSINESS CONSTRUCTION**

### 7.1 **Site Selection.**

7.1.1 Franchisee is solely responsible for locating an Approved Location for the Franchised Business and securing a lease for such location. Franchisor will provide Franchisee with its site selection criteria for the Franchised Business, to the extent such criteria have been developed, either as part of the Guide or otherwise in writing after this Franchise Agreement has been executed.

7.1.2 Franchisee must provide Franchisor with all information Franchisor requests with respect to any proposed location for the Franchised Business, including a copy of the lease or the purchase agreement for such location. Franchisee must propose at least two (2) locations within seventy-five (75) days after signing the Franchise Agreement or Franchisor may immediately terminate this Franchise Agreement upon written notice to Franchisee.

7.1.3 Franchisor will use commercially reasonable efforts to approve or reject any proposed location within fifteen (15) business days of receiving all the information. Franchisor will not unreasonably withhold its approval of a proposed location provided the information provided by Franchisee for the location demonstrates that it meets Franchisor’s standards. Franchisor may condition its approval of the lease for any proposed location on Franchisee and landlord’s agreement to enter into a collateral assignment of lease for the premises and a lease addendum in substantially the same form as the documents attached to the franchise disclosure document. Franchisor may terminate this Franchise Agreement upon notice to Franchisee if Franchisee fails to secure an Approved Location within one hundred eighty (180) days of the Effective Date, unless Franchisor agrees to a longer period of time.

7.1.4 Franchisee understands and acknowledges that: (i) the location of the Franchised Business is one of many considerations in the potential success of the Franchised Business; and (ii) Franchisor’s approval of any proposed location does not constitute an expression of Franchisor’s opinion regarding the terms of the Lease. Franchisor encourages Franchisee to seek independent counsel from a lawyer or business adviser to assist Franchisee in selecting a location and negotiating a lease for the Franchised Business. Once Franchisee secures an Approved Location, the information must be updated by execution of the Approved Location Addendum to Attachment A.

**7.2 Zoning Clearances, Permits and Licenses.** Franchisee shall be responsible for obtaining all zoning classifications, clearances, or any other form of permission which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the Franchised Business or the Approved Location. Prior to beginning the construction of the Franchised Business, Franchisee shall: (i) obtain all permits, licenses and certifications required in connection with the lawful construction or remodeling, as well as the operation of, the Franchised Business at the Approved Location; and (ii) certify in writing to Franchisor that the insurance coverage specified in this Franchise Agreement is in full force and effect, and that all required approvals, clearances, permits and certifications have been obtained. Upon written request, Franchisee must provide to Franchisor additional copies of Franchisee’s insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

**7.3 Build-Out of Franchised Business.** Franchisee shall commence and diligently pursue construction or remodeling (as applicable) of the Franchised Business. During the time of construction or remodeling, Franchisee shall provide Franchisor with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor. In addition, Franchisor may make onsite inspections as it may deem reasonably necessary to evaluate such progress. Franchisee must notify Franchisor of the scheduled date for completion of construction or remodeling no later than thirty (30) days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor may, at its option, conduct an inspection of the completed Franchised Business. Franchisee acknowledges and agrees that it may not open the Franchised Business for business without the written authorization of Franchisor, and that Franchisor's authorization to open will be conditioned upon Franchisee's strict compliance with this Franchise Agreement.

**7.4 Opening Date; Time is of the Essence.** Franchisee acknowledges that time is of the essence with respect to all obligations under this Franchise Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee must open the Franchised Business and commence business no more than one year after the Effective Date, or Franchisor may terminate this Franchise Agreement immediately upon notice to Franchisee, unless Franchisee obtains an extension of such time period from Franchisor in writing, which Franchisor has the right to grant or deny for any reason or no reason.

## 8. **FRANCHISOR'S OBLIGATIONS**

**8.1 Site Selection and Build-Out Assistance.** Franchisor does not provide site selection or build-out assistance except as expressly provided in Section 7.

**8.2 List of Approved Suppliers and Approved Products.** Prior to the opening of the Franchised Business, Franchisor will provide Franchisee with a list of: (i) those items and services that Franchisee is required to purchase in connection with the establishment and operation of the Franchised Business, including specific grooming equipment, pet supplies and other purchases that must be made according to the System Standards and/or from Franchisor's approved/designated suppliers (collectively, the "**Required Purchases**"); and (ii) Franchisor's approved/designated suppliers for these Required Purchases ("**Approved Suppliers**"). These lists may be contained in the Guide or otherwise provided to Franchisee in writing, and Franchisor may modify or supplement these lists as it deems advisable in its sole discretion.

**8.3 Training Programs.** Franchisor shall provide the Initial Training Program and any additional/ongoing training as set forth in Section 10 of this Franchise Agreement subject to the availability of Franchisor's training staff, and at Franchisor's sole discretion.

**8.4 Ongoing and On-Site Assistance.** Franchisor may provide Franchisee continuing consultation and advice, as Franchisor deems necessary and appropriate in its sole discretion, regarding the management and operation of the Franchised Business. Franchisor will provide such assistance, in Franchisor's discretion, by telephone, facsimile, intranet communication and on-site visits. If Franchisee requires and requests additional onsite assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor may provide Franchisee with such assistance at Franchisor's then-current training fee, plus reasonable expenses, including Franchisor's travel and lodging expenses.

**8.5 Advertising Approval; Prescribed Advertising Materials.** Franchisor will approve or disapprove any marketing that Franchisee wishes to use to promote and/or advertise the Franchised Business as set forth more fully in Section 9 hereof. In some instances, Franchisor may provide certain advertising materials and promotional campaigns to Franchisee that Franchisee must use in connection with its Franchised Business, as Franchisor deems necessary in its sole discretion. All advertising and

promotional items provided, or approved, by Franchisor is Franchisor's proprietary property and must be used in the manner and form prescribed by Franchisor.

**8.6 Alternate Supplier Approval.** Franchisor will approve or disapprove Franchisee's requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers that are not one of Franchisor's then-current Approved Suppliers.

**8.7 Advertising Fund.** Franchisor may, if and as it deems appropriate in its sole discretion, establish the Advertising Fund, as described more fully in Section 9.3 of this Franchise Agreement. If Franchisor establishes the Advertising Fund, Franchisor will begin collecting Franchisee's Fund Contribution via EFT as described more fully in Section 3.3.

**8.8 Contact Center.** Franchisor shall have the right, upon thirty days (30) advanced written notice to Franchisee to establish a Contact Center ("**Contact Center**") for purposes of answering calls placed to Franchisor's toll-free number and allocating calls among franchisees. If instituted, Franchisor shall be entitled to charge Franchisee a Contact Center Fee in accordance with Section 3.5.

**8.9 Annual Conference.** Franchisor may, as it deems necessary in its sole discretion, hold an annual conference at a location to be selected by Franchisor ("**Annual Conference**"). Franchisor shall determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor's personnel regarding Franchised Business operations and programs, and recognizing franchisees for their achievements. Franchisor may require Franchisee to attend the Annual Conference in its entirety for up to three (3) days per year and stay in the same hotel at which the Annual Conference is held. There is no fee for attending the conference; however, all expenses, including Franchisee's and Franchisee's employees' transportation to and from the Annual Conference, and lodging, meals, and salaries during the Annual Conference, are Franchisee's sole responsibility.

**8.10 Website.** Franchisor will establish an Internet website that provides information about the System and the products and services offered by Franchised Business locations, as described more fully in Section 9 of this Franchise Agreement. Franchisee may not establish, register or use any other independent website or splash page on the Internet, or any Social Media Account, in connection with the Franchised Business without Franchisor's prior written consent, and then only as set forth in the Guide.

**8.11 Modification of System.** Franchisor has the right to revise, update, supplement or otherwise modify the Guide, System and System Standards at any time and to require Franchisee to comply with such revisions upon written notification from Franchisor.

**8.12 Purchasing Arrangements.** Franchisor reserves the right to implement a centralized purchasing system for franchisees and negotiate prices and terms with suppliers and to receive rebates from such franchisee purchases. Franchisor may utilize such rebated funds in any manner it chooses.

**8.13 Delegation of Performance.** Franchisee agrees that Franchisor has the right to delegate any duty or obligation imposed on Franchisor by this Franchise Agreement to a designee of Franchisor, including a third-party designee, whether these designees are Franchisor's agents or independent contractors with whom Franchisor has contracted (1) the performance of any portion or all of Franchisor's obligations under this Franchise Agreement, and (2) any right that Franchisor has under this Franchise Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisee in compliance with this Franchise Agreement.

## 9. ADVERTISING AND MARKETING

**9.1 Participation in Advertising.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Franchised Business operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee.

**9.2 Local Advertising.** During the term of this Franchise Agreement, Franchisee shall take commercially reasonable efforts to advertise and promote the Franchised Business in the Protected Territory. Franchisor recommends that Franchisee expend a minimum of two percent (2%) of Gross Revenues each month on the promotion and advertisement of the Franchised Business in the Protected Territory (“**Local Advertising Expenditures**”). Franchisee may spend additional sums on local advertising. Franchisee shall use only such advertising and promotional materials that have been previously approved or prescribed by Franchisor. In addition, Franchisee shall spend at least Five Thousand Dollars (\$5,000.00) on grand opening advertising in the Protected Territory (“**Grand Opening Advertising**”) in accordance with Section 9.6.

**9.3 Advertising Program.** Franchisor reserves the right to establish and administer an Advertising Fund for the purpose of advertising the System on a regional or national basis. Franchisee shall contribute to the Advertising Fund as described in Section 3.3 of this Franchise Agreement. Franchisee agrees that the Advertising Fund shall be maintained and administered by Franchisor or its designee as follows:

9.3.1 Franchisor shall direct all advertising programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Advertising Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks and enhance the collective success of all Franchised Businesses operating under the System. In administering the Advertising Fund, Franchisor and its designees undertake no obligation to make expenditures for Franchisee which are equivalent or proportionate to Franchisee’s contribution or to ensure that any particular franchisee benefits directly or *pro rata* from the placement of advertising. Franchisor shall be entitled to reimburse itself from the Advertising Fund for its reasonable expenses in managing the Advertising Fund.

9.3.2 Franchisee agrees that the Advertising Fund may be used to satisfy any and all costs of maintaining, administering, directing and preparing advertising including, without limitation, the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; internet marketing; in-store or point of purchase marketing materials; public relations activities; maintaining online business listings and reputation; employing advertising agencies to assist therein; development and maintenance of Franchisor’s website; and costs of Franchisor’s personnel, travel and other departmental costs consistent with the purposes of the Advertising Fund. All sums paid by Franchisee to the Advertising Fund shall be maintained in a separate account by Franchisor and may be used to defray Franchisor’s expenses, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Advertising Fund and advertising programs for franchisees and the System. The Advertising Fund and its earnings shall not otherwise inure to the benefit of Franchisor. The Advertising Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above. Franchisor will not use the Advertising Fund contributions for advertising that is principally a solicitation for the sale of franchises, but Franchisor

reserves the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

9.3.3 Any monies remaining in the Advertising Fund at the end of any year will carry over to the next year. Although the Advertising Fund is intended to be of perpetual duration, Franchisor may terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been expended for advertising or promotional purposes or returned to contributing Franchised Businesses or those salons operated by Franchisor, without interest, on the basis of their respective contributions.

9.3.4 If Franchisor elects to terminate the Advertising Fund, Franchisor may, in its sole discretion, reinstate the Advertising Fund at any time. If Franchisor so chooses to reinstate the Advertising Fund, the reinstated Advertising Fund shall be salons operated as described herein.

**9.4 Advertising Cooperatives.** Franchisor may, in its discretion, create a regional advertising cooperative in any geographic area, or Franchisor may approve the creation of such an advertising cooperative by franchisees in the System, and establish the rules and regulations therefor (“**Cooperative**”). Immediately upon Franchisor’s request, the Franchisee must become a member of the Cooperative for the area in which some or all of the Protected Territory is located. In no event may the Franchised Business be required to be a member of more than one (1) Cooperative. The Cooperative must be governed in the manner prescribed by Franchisor. The Cooperative may require each of its members to make contributions thereto, but these contributions will be credited towards Franchisee’s Local Advertising Expenditures. Each Cooperative will be independently run or administered by the Franchisee’s from local members who will elect their own officers. Franchisor owned outlets will contribute on the same basis as the Franchisees. Franchisee shall contribute such amounts at the times and in the manner as determined by the Cooperative members provided that such contributions shall not require a contribution that exceeds Three Hundred Dollars (\$300) per month.

**9.5 Conduct of Advertising; Franchisor’s Approval.** All advertising and promotion by Franchisee in any medium shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Guide or otherwise. Franchisee must obtain Franchisor’s approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the three months prior to their proposed use. Franchisee shall submit such unapproved plans and materials to Franchisor at least thirty (30) days prior to the intended date of use, and Franchisor shall have thirty (30) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within the thirty (30) day period, the proposed materials are deemed not approved. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor’s property and there will be no restriction on Franchisor’s use or dissemination of such materials. Franchisee shall not advertise or use the Proprietary Marks in any fashion on the Internet, World Wide Web, any Social Media Account, post, or profile, or via other means of advertising through telecommunication without the express written consent of Franchisor. Franchisor may revoke its approval of any previously approved advertising or marketing materials proposed by Franchisee, and Franchisee must cease use of such materials upon receiving notice of revocation from Franchisor. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, “Franchises Available” and reference to Franchisor’s telephone number and/or website.

**9.6 Grand Opening Advertising.** In addition to the ongoing advertising contributions set forth herein, Franchisee shall spend at least Five Thousand Dollars (\$5,000.00) on a grand opening advertising campaign to advertise the opening of the Franchised Business. Franchisee must commence the grand

opening advertising campaign at least sixty (60) days prior to the grand opening of the Franchised Business. All advertisements proposed to be used in the grand opening advertising campaign are subject to Franchisor's review and approval in the manner set forth in this Section 9.

**9.7 Websites and Social Media.** As used in this Franchise Agreement, the term “**Website**” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

9.7.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, Franchised Businesses and any or all of the products offered at these salons, the franchising of Franchised Businesses and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue operation of the Website.

9.7.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) or social media accounts or profiles to describe Franchisee and/or the Franchised Business. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages or social media accounts; and Franchisor shall have the right to refuse to post or discontinue posting any content or remove any posted material online.

9.7.3 Franchisee shall not establish a separate Website or Social Media Account without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website or Social Media Account, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website or Social Media Account. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed “advertising” under this Franchise Agreement and will be subject to (among other things) Franchisor's approval under this Section 9.

9.7.4 Franchisee shall not promote or otherwise list its Franchised Business or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Twitter or YouTube, without Franchisor's prior written consent. Franchisee specifically acknowledges and agrees that any such promotion or listing owned or maintained by or for the benefit of Franchisee shall be deemed “advertising” under this Franchise Agreement and will be subject to (among other things) Franchisor's approval under this Section 9.

9.7.5 Franchisor shall have the right to modify the provisions of this Section 9.7 relating to Websites and Social Media, as Franchisor shall solely determine is necessary or appropriate. Franchisor has the right to update these provisions through the Guide or otherwise in writing. Furthermore, all advertising accounts will belong to Franchisor and any account usernames, passwords or other login information will either be assigned by Franchisor to Franchisee or will be provided to Franchisor by Franchisee. For avoidance of doubt, all advertising accounts will remain the property of Franchisor upon expiration or termination of this Agreement.

## 10. **TRAINING**

**10.1 Initial Training Program.** Franchisee, as well as any Designated Manager and Store Master Groomer, must attend, and complete to Franchisor's satisfaction, Franchisor's Initial Training Program (“**Initial Training Program**”), within one hundred and twenty (120) days of the Effective Date and must be completed forty-five (45) days before the opening of the Franchised Business. Franchisee's Franchised

Business must be operated with at least one (1) individual who has successfully completed our Initial Training Program. Franchisor will provide the Initial Training Program to this individual and one (1) additional individual tuition-free. All trainees that Franchisee designates prior to opening must attend the Initial Training Program at the same time. The Initial Training Program will be conducted at Franchisor's then-current training facility or other location Franchisor designates. Franchisor may provide certain components of the Initial Training Program by webinar or otherwise via the Internet, as Franchisor deems appropriate in its sole discretion. All training related expenses, including Franchisee and other trainees' transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility.

**10.2 Replacement Personnel.** In the event Franchisee or the Designated Manager fails to complete the Initial Training Program to Franchisor's satisfaction, that person may repeat the course or, in the case of an employee, Franchisee may send a replacement ("**Replacement Personnel**") to the next available training session. Franchisor may charge its then-current training tuition fee for Franchisee to reattend, or have Replacement Personnel attend, the Initial Training Program. Failure by Franchisee, an employee or any Replacement Personnel to complete the Initial Training Program to Franchisor's satisfaction within the time period prescribed in this Franchise Agreement shall constitute default of this Franchise Agreement and Franchisor may terminate the Franchise Agreement.

**10.3 Additional Employees.** In the event Franchisee wishes for more than one (1) additional person to participate in the Initial Training Program (other than Franchisee or Franchisee's partner, principal shareholder or manager or Designated Manager), Franchisor may provide the Initial Training Program to such additional persons, subject to the availability of Franchisor's personnel. Franchisee will be required to pay Franchisor Four Hundred Dollars (\$400) for each additional person per day who attends the Initial Training Program. In addition, all training related expenses for Franchisee's additional personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility.

**10.4 Training Materials.** Franchisor will provide Franchisee with training materials for Franchisee to use in training Franchisee's personnel. Updated training materials will be provided to Franchisee by Franchisor upon written request. All training materials provided to Franchisee by Franchisor shall at all times remain Franchisor's property, and Franchisee agrees not to challenge Franchisor's or Franchisor's Affiliates' title or rights in or to the training materials. Franchisee may not make any disclosure, duplication or other unauthorized use of any portion of the training materials. Only Franchisor's provided training materials may be used by Franchisee in training Franchisee's personnel.

**10.5 Training Instructors.** Franchisor has the right to substitute certain instructors of, or other personnel involved with, the Initial Training Program with other individuals that have similar experience with the System or have otherwise been properly trained by Franchisor's personnel to be an Initial Training Program instructor.

**10.6 Failure to Complete Initial Training Program.** In the event Franchisee or its Designated Manager fail to complete the Initial Training Program within the prescribed time period, Franchisor may terminate this Franchise Agreement immediately upon notice to Franchisee and Franchisee is not entitled to any refund of the Initial Franchise Fee or other expenses incurred with the Initial Training Program.

**10.7 Staff Training; Staffing Requirement.** Franchisee's employees that Franchisor does not require to attend the Initial Training Program as set forth in Section 10.1 shall be trained by Franchisee, or its owner or Designated Manager that has successfully completed the Initial Training Program to Franchisor's satisfaction. The training of regular employees must be completed prior to the opening of the Franchised Business for those who are employed initially by Franchisee, and prior to the employee

commencing its duties for those hired by Franchisee after the opening of the Franchised Business. Franchisee’s Designated Manager shall have the skill level, training and experience commensurate with the demands of the position. At all times during the term of this Franchise Agreement, Franchisee shall employ an adequate staff of employees working at the Franchised Business who shall have been fully and adequately trained, in Franchisor’s judgment, and all such employees shall have completed all training certification(s) required by any governmental authority and applicable law.

**10.8 Additional Training.** To assist Franchisee in the operation of the Franchised Business, Franchisor may offer, and require Franchisee and other personnel Franchisor designates to attend, additional training programs and/or refresher courses, as Franchisor deems necessary. Franchisor may require Franchisee and its Designated Manager (if applicable) to attend up to two (2) days of additional training under this Section each year, and Franchisee will be required to pay Franchisor’s training tuition fee for such additional training upon Franchisor’s request. If such training is conducted at the Approved Location, Franchisee shall also be required to pay Franchisor’s reasonable travel and accommodation expenses. Additional training courses and programs may be required by Franchisee and/or its staff as dictated in the Guide. Franchisee shall be required to comply with any updates to the training program within sixty (60) days of receiving updates to the Guide.

**10.9 Costs and Expenses.** With respect to all training described in this Section, Franchisee is solely responsible for the expenses of Franchisee, Franchisee’s management, and Franchisee’s employees, including transportation to and from the training site and lodging, meals, and salaries, incurred in attending and completing such training.

**11. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS**

**11.1 Bookkeeping.** Franchisee must maintain, for at least five (5) fiscal years from their preparation, complete financial records for the operation of the Franchised Business in accordance with generally accepted accounting principles and any other standard accounting procedures designated by Franchisor.

**11.2 Required Reporting.** In addition to the Gross Revenue Reports, Franchisee must submit the following reports by the following due dates. We reserve the right to require all reports to be submitted at more frequent intervals.

TYPE OF REPORT	DUE DATE	REMARKS
Annual Budget	By September 30 of each year	Must submit a plan for projected expenditures over the course of the following year.
Financial Statements	Within 30 days after the end of each fiscal year	Must be submitted in accordance with the standard profit and loss statement template and balance sheet template required by us. This is a complete financial statement for the preceding calendar year, including profit and loss statement and balance sheet.
Federal Tax Return	Upon request	

Other Reports	Upon request	Those additional reports that we may from time to time require, including by way of example and not limitation, sales and cost data and analyses, advertising budget, and expenditures, etc.
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11.2.1 **Form.** Any financial information that Franchisee submits must be certified as correct by Franchisee or, if Franchisee is an Entity, by one (1) of Franchisee’s principal officers. If Franchisee fails to submit any required report, including Gross Revenue reports required under Section 3.6 or required financial statements under Section 11.2, when due, Franchisor may charge Franchisee One Hundred Dollars (\$100) per occurrence and One Hundred Dollars (\$100) per week until the report or financial report is submitted, and Franchisor may debit Franchisee’s bank account for these amounts. Franchisor may require that any quarterly or annual financial reports be audited at Franchisee’s expense if Franchisor previously conducts an audit that revealed Franchisee was underreporting in any manner. Franchisee’s fiscal year shall be the calendar year, unless Franchisee obtains Franchisor’s prior written consent to have a different fiscal year end. Franchisor shall have full access to all of Franchisee’s data, system, and related information by means of direct access, whether in person, or by telephone/modem installed and maintained at Franchisee’s sole expense.

**11.3 Right to Disclose Information.** Franchisor has the right to disclose data derived from the reports Franchisee furnishes without identifying Franchisee or the location of the Franchised Business.

**11.4 Right to Inspect and Conduct Audit.** Franchisor and Franchisor’s designees have the right to inspect and/or audit Franchisee’s business records at any time during normal business hours, to determine whether Franchisee is current with suppliers and are otherwise operating in compliance with the terms of this Franchise Agreement and the Guide. If any audit reveals that Franchisee has understated or overstated Franchisee’s royalty or advertising payments, or Franchisee’s local advertising expenditures, by more than three percent (3%), or if Franchisee has failed to submit timely reports and/or remittances for any two reporting periods within any 12-month period, Franchisee must pay the reasonable cost of such audit and/or inspection, including the cost of outside attorneys and independent certified public accountant(s) (to the extent Franchisor incurs such costs), together with amounts due for royalty and other fees as a result of such underreporting and/or failure to submit reports, along with all late fees and interest which may otherwise be due under this Franchise Agreement.

**11.5 Independent Access to Information.** Franchisee will at all times allow Franchisor or its certified public accountants or other duly authorized agents to have independent access to the information that will be generated or stored in Franchisee’s computer system, or hosted by third party providers on Franchisee’s behalf, which arise out of or relate to the Franchised Business which includes prospect, financial, and operational information.

12. **FRANCHISEE’S OBLIGATIONS AND DUTIES**

**12.1 Best Efforts and Promote Integrity of the System.** Franchisee must use best efforts to promote and increase the demand for the authorized products and services offered by the Franchised Business within the Protected Territory, and otherwise devote its best efforts to the operation of the Franchised Business. Franchisee covenants to deal fairly and honestly with all customers and Franchisor, and that all of Franchisee’s advertising and promotion shall be completely factual and shall conform to the

highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the Franchised Business or the goodwill associated with the Proprietary Marks and System.

## **12.2 Operations.**

12.2.1 *Hours of Operation.* Franchisee must operate the Franchised Business for at least those days and number of hours Franchisor specifies in the Guide or otherwise in writing.

12.2.2 *Maintenance of Premises.* Franchisee must maintain the Franchised Business in a clean, safe and attractive manner, and in accordance with all applicable requirements of law, including all federal, state and local health laws, as well as this Franchise Agreement and the Guide. Franchisee and Franchisee's employees must give prompt, courteous and efficient service to the public and otherwise operate the Franchised Business in order to preserve, maintain and enhance the reputation and goodwill of the System.

12.2.3 *Staffing.* If required, Franchisee must hire and supervise efficient, competent, and courteous persons as Franchisee's employees for the operation of the Franchised Business and set and pay their wages and incentives with no liability on Franchisor. Franchisee must require its employees to work and abide by the Guide. Franchisee understands and acknowledges it is Franchisee's responsibility to hire and supervise a satisfactory number of employees in order to efficiently operate the Franchised Business and meet Franchisee's obligations under this Franchise Agreement. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employers or subject to Franchisor's control. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee alone is responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisor will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and Franchisee agrees to indemnify Franchisor for any such liabilities Franchisor incurs.

12.2.4 *Compliance with Guide and Training of Employees.* Franchisee agrees to conduct the Franchised Business in accordance with the Guide. Franchisee shall immediately train and instruct Franchisee's employees in accordance with this Franchise Agreement and the Guide, and shall continue such training and instruction as long as each employee is employed. Any required standards exist to protect Franchisor's interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. The required standards generally will be set forth in the Guide or other written materials. The Guide also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. Franchisee may follow the recommendations or guidelines or some other suitable alternative, provided Franchisee meets and complies with the required standards. In other instances, no suitable alternative may exist. In order to protect Franchisor's interests in the System and Marks, Franchisor reserves the right to determine if Franchisee is meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

12.2.5 *Management Participation and Designated Manager.* Franchisee (or at least one of Franchisee's principals if Franchisee is an Entity) must personally supervise the day-to-day operations of the Franchised Business. Franchisee (or at least one (1) of Franchisee's principals if Franchisee is an

Entity) must devote Franchisee's best efforts to the management and operation of the Franchised Business and ensure that customers have access to the Franchised Business at all days and times set forth in the Guide. Franchisee may, however, delegate the day-to-day operation of the Franchised Business to a Designated Manager; provided the Designated Manager: (i) is approved by Franchisor in writing prior to hiring; and (ii) successfully completes Franchisor's Initial Training Program before assuming any managerial responsibility. Franchisee's Franchised Business must, at all times, be staffed with at least one individual who has successfully completed Franchisor's Initial Training Program. In the event that Franchisee operates more than one (1) Franchised Business franchise, Franchisee shall have a properly trained Designated Manager who has been approved by Franchisor at each location. Franchisee shall keep Franchisor informed at all times of the identity of any employee acting as Designated Manager of a Franchised Business. In the event that a Designated Manager resigns or is otherwise terminated from the Franchised Business, Franchisee shall hire a replacement approved of in writing by Franchisor who meets Franchisor's then current standards for Designated Managers within thirty (30) days after termination or resignation of the prior Designated Manager. Franchisee must train the new Designated Manager within thirty (30) days of hiring. Franchisor reserves the right, without the obligation, to train the new Designated Manager directly. Any Designated Manager(s) shall devote full time and best efforts to the day-to-day operation and management of the Franchised Business, and must not engage in any other business activity without Franchisor's prior written consent.

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

12.2.7 *Inventory.* Franchisee must at all times maintain sufficient equipment and levels of inventory and supplies as required by Franchisor to adequately meet consumer demand and operate the Franchised Business at maximum capacity and efficiency. Franchisee shall purchase the minimum quantity of initial inventory as directed by Franchisor in the Guide or elsewhere.

12.2.8 *Mystery Shopper.* To ensure uniformity and compliance with the System, Franchisor may send a mystery shopper or similar third party to the Franchised Business. Franchisor may, but is not obligated to, share the results of the mystery shopper with Franchisee.

### **12.3 Purchasing Requirements and Sources of Supply.**

12.3.1 *Compliance with Standards.* Franchisee acknowledges and agrees that Franchisee's obligations set forth in this Franchise Agreement and the Guide are reasonable and necessary for the operation of the Franchised Business and to maintain uniformity throughout the System. Franchisee shall adhere to the standards and specifications set forth in this Franchise Agreement and the Guide and any revisions or amendments to same. Franchisee shall use signs, furnishings, supplies, fixtures, equipment, inventory and printing services that comply with Franchisor's then-current standards and specifications, which Franchisor establishes from time to time. Franchisor has the right to change Franchisor's standards and specifications in Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense.

12.3.2 *Designated and Approved Suppliers.* Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase certain inventory and services, as well as certain signs, furnishings, supplies, fixtures, computer hardware and software, and other equipment from Franchisor or from another approved supplier that Franchisor designates in the Guide or otherwise in writing (each an "**Approved Supplier**"). Franchisee

hereby acknowledges that Franchisor, Franchisor's Affiliate and/or any other third party may be one of several, or the only, Approved Supplier of any item. Franchisee further acknowledges and agrees that Franchisor and/or Franchisor's Affiliates have the right to realize a profit on any products or services that Franchisor, Franchisor's Affiliates or Franchisor's Approved Suppliers supply and/or provide to Franchisee.

12.3.3 *Unapproved Item and/or Alternate Supplier Approval.* In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Nothing herein shall require Franchisor to approve an unreasonable number of suppliers for a given item, which approval might, in Franchisor's reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within 30 days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves of must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier.

**12.4 Authorized Products and Services.** Franchisee shall offer for sale all products and services which Franchisor prescribes and only those products and services which Franchisor prescribes. Franchisee may not offer any other products for sale without having received Franchisor's prior written authorization. Franchisee shall at all times maintain sufficient levels of inventory as specified in the Guide, to adequately satisfy consumer demand.

**12.5 Premises Inspection.** Franchisee agrees that in order to maintain the high quality and uniform standards associated with the System and to protect its goodwill and reputation, Franchisee will permit Franchisor during business hours, to inspect the Franchised Business, confer with Franchisee and Franchisee's employees and customers, check inventories, methods and perform any other inspection which Franchisor deems necessary to protect the standards of quality and uniformity of the Franchise system and

Franchisee's performance under this Franchise Agreement. Franchisee is obligated to make changes to Franchisee's operations based upon any inspections by Franchisor. Except as otherwise provided in this Franchise Agreement, Franchisor is not required to provide Franchisee with any notice prior to conducting such an inspection.

## 12.6 Computer Software and Hardware.

12.6.1 *Computer System and Required Software.* Franchisor has the right to specify or require that certain brands, types, makes, or models of computer hardware, software, computer-based services, and online accounts that Franchisee must use in connection with the Franchised Business, including without limitation (i) a laptop or other computer that meets Franchisor's then-current specifications; (ii) a customized point of sale system ("**POS System**"), in the event Franchisor makes such a POS System part of its proprietary operating system in the future; (iii) printers and other peripheral hardware/devices such as webcams; and (iv) equipment necessary to maintain a physical, electronic or other security system for the Approved Location and Franchised Business that Franchisor may designate (collectively, the "**Computer System**"). Franchisor may also require Franchisee to use designated software, computer-based services, or online accounts in connection with the Computer System and Franchised Business (collectively, the "**Required Software**"), as well as the type of tangible media and/or database structure to use as part of the Computer System. Franchisor reserves the right to charge Franchisee a monthly fee for any custom or proprietary software for use in the Franchised Business, and to require Franchisee to subscribe to third-party services and purchase products from third parties. In the event Franchisee already has computer hardware and/or software that meets the System Standards for a Computer System and/or Required Software, then Franchisor may allow Franchisee to use its existing equipment/software in connection with the Franchised Business.

12.6.2 *Compliance with Requirements.* At Franchisor's request, Franchisee will purchase or lease, and thereafter maintain, the Computer System and, if applicable, any Required Software at Franchisee's sole expense. Franchisee expressly agrees to strictly comply with the System Standards for all items associated with the Computer System and any Required Software. Franchisee agrees, at its own expense, to keep its Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to Franchisee's Computer System or Required Software as Franchisor directs from time to time in writing.

12.6.3 *Internet and Franchisor's Access.* Franchisee must take whatever steps necessary to ensure that the Franchised Business has an accessible Wi-Fi internet access that can be used by Franchisee's clientele and must do so at Franchisee's sole expense. Franchisor may require: (i) Franchisee to comply with its standards and specifications for Internet access and speed; and (ii) that Franchisee's Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to Franchisor. Franchisor will also have the right to, at any time without notice, electronically and independently connect with the Computer System to monitor or retrieve data stored on the Computer System or for any other purpose Franchisor deems necessary. There are no contractual limitations on Franchisor's right to access the information and data on any component of the Computer System. At Franchisor's request, Franchisee shall deliver to Franchisor all access codes, static internet protocol ("**IP**") addresses and other information to facilitate Franchisor's access to the data described in this Section within thirty (30) days of opening the Franchised Business.

12.6.4 *Proprietary Software.* Franchisor has a proprietary interest in all databases, lists, templates, programs and any other software components that have been created and/or customized by Franchisor using the Computer System and/or Required Software ("**Proprietary Software**"). Any

Proprietary Software, if developed, will be Franchisor's proprietary product and the information collected will be deemed Franchisor's Confidential Information.

12.6.5 *Area Computer Network.* Upon Franchisor's request, Franchisee will be required to participate in any System-wide area computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such area computer network, intranet system, or extranet system to, among other things: (i) submit Franchisee's reports due under this Franchise Agreement to Franchisor on-line; (ii) view and print portions of the Guide, including any updates or modifications thereto; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (v) to complete any initial or ongoing training, in the event Franchisor makes such training accessible through this medium. Franchisee agrees to use the facilities of any such area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor included in the Guide, including those related to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements. Franchisee understands and agrees that it is solely responsible for any licensing and/or maintenance fee(s) associated with any intranet or extranet described in this Section.

12.6.6 *E-mail Address.* Franchisee agrees that it will only use the e-mail address provided by Franchisor in connection with the Franchised Business, and that Franchisee will not use such email address for any other purpose.

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

**12.8 Telephone Number.** Franchisee must obtain its own local telephone number for use in connection with the Franchised Business, which must be listed under the Proprietary Mark "**Salty Dawg Pet Salon**" as applicable or other listing designated by Franchisor when displayed in any traditional or electronic directory. This telephone number must be used exclusively in connection with Franchisee's operation of the Franchised Business. Any telephone listing Franchisee has in any directory must be approved by Franchisor prior to publication. Upon the expiration, transfer or termination of this Franchise Agreement for any reason, Franchisee must cease all such use of such telephone number(s) and listings, at Franchisor's option, listing(s) and assign same to Franchisor or Franchisor's designee.

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

**12.10 Compliance with Applicable Laws.** Franchisee must comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Franchised Business (including, without limitation, all government regulations relating to commercial leasing and pet grooming operations and the products and services provided by the Franchised Business, occupational hazards and health, trademark and copyright infringement, consumer protection, trade regulation, worker's

compensation, unemployment insurance, withholding and payment of Federal and State income taxes and social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act regarding the construction, design and operation of the Franchised Business). Franchisee must also obtain and maintain all permits, licenses, and registrations required for the lawful operation of the Franchised Business and comply with all health and safety codes.

**12.11 Trade Secrets and Confidential Information.** Franchisee must maintain the confidentiality of all Franchisor's proprietary and Confidential Information as set forth in this Franchise Agreement.

**12.12 Image.** Franchisee agrees to offer all Franchisor's authorized products and services and to conduct the Franchised Business in such a manner which will serve to emulate and enhance the image Franchisor intended for the System. Franchisee further acknowledges and agrees that each aspect of the System is important not only to Franchisee, but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by System franchisees. Franchisee agrees to comply with the standards, specifications and requirements Franchisor set forth in order to uniformly convey the distinctive image of a Franchised Business. Franchisee shall, in the operation of the Franchised Business, use only displays, bags, labels, forms, stationery and other products bearing the Proprietary Marks that Franchisor designates or approves.

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

**12.14 Remodeling/Updating Franchised Business Premises.** To assure the continued success of the Franchised Location, Franchisee must, upon the request of Franchisor, remodel and/or redecorate the premises of the Franchised Business, which may include equipment, signs, interior and exterior décor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Franchised Business, to the System Standards. Franchisor agrees that it shall not request such remodeling and/or redecorating more frequently than every five (5) years during the term of this Franchise Agreement, except that if the Franchised Business or Franchisee is transferred pursuant to Section 16, in which case Franchisor may request that the transferee remodel and/or redecorate the Franchised Business premises as described herein.

**12.15 Health and Safety Standards.** Franchisee shall meet and maintain the highest health and safety standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor within two (2) days of its receipt thereof, a copy of all health inspection reports and any violation or citation which indicates Franchisee's failure to maintain federal, state, or local health or safety standards in the operation of the Franchised Business. Franchisee's failure to cure such violations within twenty-four (24) hours shall constitute grounds for immediate termination under the Franchise Agreement.

**12.16 Customer Service and Warranty.** Franchisee and its employees shall be prompt, courteous, honest and respectful to all customers and prospective customers, and must adhere to Franchisor's customer service procedures as set forth in the Guide or otherwise in writing. In the event there is a consumer complaint, Franchisee must answer and schedule a response to the complaint within forty eight (48) hours of its receipt of the complaint. If a complaint is filed with the Better Business Bureau, Franchisee must respond appropriately within twenty four (24) hours. Franchisee must provide Franchisor with a copy of Franchisee's response to either type of complaint, which must be sent to Franchisor within twenty four (24) hours of sending such response. Franchisee acknowledges and agrees that it will honor, and provide the services dictated by, the warranty programs established by Franchisor as part of the System.

Franchisor may in Franchisor's discretion provide a refund or other value to customers of the Franchised Business, in which event Franchisee must reimburse Franchisor for Franchisor's reasonable cost incurred in responding to the customer complaint.

**12.17 Compliance with Lease and Other Agreements.** Franchisee shall comply with all the terms of its lease or sublease and all other agreements affecting the operation of the Franchised Business, and shall promptly furnish Franchisor a copy of its lease upon request. Franchisee shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor and shall refrain from any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Approved Location.

**12.18 Changes to the System.** Franchisee shall not implement any change, amendment or improvement to the System without the express prior written consent of Franchisor. Franchisee shall notify Franchisor in writing of any change, amendment or improvement in the System which Franchisee proposes to make, and shall provide to Franchisor such information as Franchisor requests regarding the proposed change, amendment or improvement. Franchisee acknowledges and agrees that Franchisor shall have the right to incorporate the proposed change, amendment or improvement into the System and shall thereupon obtain all right, title and interest therein without compensation to Franchisee, including any intellectual property rights thereto.

**12.19 Insurance.** Franchisee must procure and maintain, at its sole expense, such insurance covering the operation and location of the Franchised Business as Franchisor may designate from time to time from Franchisor's designated supplier for such insurance. Franchisee must procure the insurance Franchisor then requires for the establishment and operation of a Franchised Business as designated in the Guide or otherwise in writing by Franchisor at least twenty (20) days prior to opening the Franchised Business or upon signing a lease agreement for the premises of the Franchised Business, whichever comes first. All insurance carriers must be approved by Franchisor in advance and in writing. All insurance policies must be issued by insurance companies with a rating of A-VII or better as reported in the most recent edition of A.M. Best's Insurance Reports. Franchisor's approval of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Franchisee agrees to carry such insurance as may be required by the lease of the Franchisee Location or by any of Franchisee's lenders or equipment lessors and such workers compensation insurance as may be required by applicable law. Franchisee, at its sole expense, shall add Franchisor and any other parties Franchisor may designate to all insurance contracts as additional insureds under the insurance policies (except Worker's Compensation Insurance). All insurance policies will contain a waiver of subrogation in favor of Franchisor and any parties Franchisor designates. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within twenty four (24) hours. Franchisee has a twenty four (24) hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least thirty (30) calendar days prior written notice from the insurance carrier to Franchisor. Franchisee must submit a certification of insurance that demonstrates compliance with this Section. If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect and Franchisee shall pay Franchisor, on demand, the premium cost thereof and an administrative fee equal to twenty percent (20%) of the premium cost incurred in connection with Franchisor obtaining the insurance. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice.

## 13. CONFIDENTIALITY AND COVENANTS AGAINST COMPETITION

### 13.1 Confidentiality.

13.1.1 *Nondisclosure.* During the term of this Franchise Agreement, Franchisee and its owners will receive information which Franchisor considers a Trade Secret and Confidential Information, including but not limited to: the Guide, Franchisor's proprietary training, marketing and other instructional materials, Trade Secrets, information related to any proprietary methodology or aspects of the System or the establishments and continued operation of the Franchised Business, financial information, supplier and vendor prices and matrices, and any and all clientele lists and data obtained through the operation of the Franchised Business (collectively, the "**Confidential Information**"). Franchisee shall not, during the term of this Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or Entity, any Confidential Information including, without limitation, Trade Secrets, copyrighted materials, as well as any methods and other techniques and know-how concerning the operation of the Franchised Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Franchised Business. Franchisee may divulge such Confidential Information only to such of Franchisee's employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed Confidential Information for purposes of this Franchise Agreement, but Franchisor is not required to expressly designate certain material as confidential in order for it to be considered Confidential Information if the material is, by its very nature, proprietary and confidential. Upon termination or expiration of this Franchise Agreement, regardless of reason, Franchisee shall return all copies of such Confidential Information to Franchisor immediately, and Franchisee may not use the Confidential Information for any purpose other than operating the Franchised Business in accordance with the System Standards.

13.1.2 *Employees.* Franchisee must require all of Franchisee's officers, directors, managers and other employees to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business premises. Such covenants shall be in a form satisfactory to Franchisor and substantially similar to the Confidentiality and Non-Solicitation Agreement attached to the franchise disclosure document (subject to applicable state laws). These agreements must include, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with independent rights to enforce them.

### 13.2 Non-Competition

13.2.1 *In-Term.* Franchisee specifically acknowledges that, pursuant to this Franchise Agreement, Franchisee and its owners and personnel will receive valuable training, Trade Secrets and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System which are beyond the present skills and experience of Franchisee, its principals and Franchisee's managers and employees. Franchisee acknowledges that such specialized training, Trade Secrets and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, Trade Secrets and confidential information is, therefore, a primary reason why they are entering into this Franchise Agreement. In consideration for receiving such specialized training, Trade Secrets and Confidential Information and being granted the right to operate the Franchised Business utilizing the System and Proprietary Marks, Franchisee covenants that, during the term of this Franchise Agreement, neither Franchisee nor any of its owners, principals,

shareholders, members or partners (as applicable) shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person(s), Entity:

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

13.2.1.2 *Competing Business*. Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business that: (i) is the same as, or substantially similar to the Franchised Business; (ii) engages in providing dog grooming services or that offers or provides any of the other products/services that are offered by the Franchised Business; or (iii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that engage in providing dog grooming services or that offer or provide any of the other products/services that are offered by the Franchised Business (“**Competing Business**”); provided, however, that this Section does not apply to Franchisee’s operation of a Franchised Business, of the same type that Franchisee has been granted the right to operate under **Attachment A**, pursuant to a valid franchise agreement with Franchisor. As used in this Franchise Agreement, Competing Business includes a “**Salty Dawg Pet Salon**” unless, Franchisee has signed a franchise agreement with Franchisor to own and operate such a branded Franchised Business.

13.2.2 *Post-Term*. For a continuous uninterrupted period of two (2) years commencing upon the expiration or termination of, or transfer of all of Franchisee’s interest in, this Franchise Agreement, neither Franchisee, nor any of its owners/principals/members/partners (as applicable), may directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person(s) or Entity:

13.2.2.1 *Franchising or Licensing Activities*. Be involved with any business competing in whole or in part with Franchisor in granting franchises or licensing, or establishing joint ventures, for one or more Competing Businesses that engage in providing dog grooming services or that offer or provide any of the other products/services that are offered by the Franchised Business;

13.2.2.2 *Other Competing Businesses*. Own, maintain, engage in, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business within the following areas: (i) at the location of the Franchised Business; (ii) within the Protected Territory; (iii) within a radius of 20 miles of the perimeter of the Protected Territory granted hereunder; or (iv) within a radius of 20 miles of the perimeter of any other protected territory licensed by Franchisor to any third party or any Franchised Business that is in operation or under development, as of the date of expiration, transfer or termination of this Franchise Agreement through the date of Franchisee’s involvement in the Competing Business;

13.2.2.3 *Supplier Usage*. Contact any of Franchisor’s suppliers or vendors for any competitive business purpose.

**13.3 Acknowledgement.** The Parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The Parties agree that each of the covenants herein shall be construed as independent of any other covenant or provision of this Franchise Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, Franchisee and the Controlling Principals expressly agree to be

bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

13.3.1 Franchisee understands and acknowledges that Franchisor has to reduce the scope of any covenant set forth in this Section 13, or any portion thereof, without Franchisee's consent, effective immediately upon notice to Franchisee. Franchisee further agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding any other provision of this Section.

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

13.3.3 Sections 13.2.1 and 13.2.2 of this Franchise Agreement shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

**13.4 Non-Compete Agreements from Certain Personnel.** Franchisee shall require and obtain execution of covenants similar to those set forth in this Section 13 (including covenants applicable upon the termination of a person's employment with Franchisee) from its Designated Manager (if permitted by Franchisor) and all other personnel of Franchisee who have received or will have access to training from Franchisor. Such covenants shall be substantially in the form set forth in the franchise disclosure document. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the non-competition covenant set forth in the agreement attached to the franchise disclosure document, or eliminate such non-competition covenant altogether for any party that is required to execute such agreement under this Section.

**13.5 Enforcement.** Franchisee acknowledges that any failure to comply with the requirements of this Section shall constitute a material event of default under this Franchise Agreement. Franchisee further acknowledges that a violation of the terms of this Section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee (or other restricted parties) in violation of the terms of this Section. Franchisee must pay all court costs and reasonable attorney fees incurred by Franchisor in connection with the enforcement of this Section 13, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of such Section.

## 14. **TERMINATION**

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

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

14.1.2 *Involuntary Bankruptcy.* If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is

appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within sixty (60) days.

14.1.3 *Unauthorized Transfer.* Franchisee purports to sell, transfer or otherwise dispose of Franchise or any interest in the franchise business in violation of Section 16 hereof.

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

14.2.1 *Criminal Acts.* If Franchisee or Franchisee's principals are convicted of or plead guilty or no contest to a felony or other offense related to the operation of the Franchised Business or that Franchisor believes, in its sole discretion, is likely to have an adverse effect on the Proprietary Marks or the goodwill associated therewith.

14.2.2 *Fraud.* If Franchisee or Franchisee's principals commit any fraud or misrepresentation in the operation of the Franchised Business, including but not limited to, any misrepresentation made in Franchisee's franchise application.

14.2.3 *Other Actions.* If Franchisee or Franchisee's principals, including any shareholder, guarantors or agents, engage in activity or conduct which materially impairs that goodwill associated with the System or the Proprietary Marks and fails to cease and correct such activities or conduct within twenty-four (24) hours of Franchisee's receipt of written notice of a breach under this Section.

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

14.2.5 *Failure to Complete Training or Attend Annual Conference.* If Franchisee fails to: (a) complete the Initial Training Program; or (b) attend the entire Annual Conference as required under this Franchise Agreement, unless excused by prior written consent of Franchisor.

**14.3 Repeated Breaches.** If Franchisor sends Franchisee three or more written notices to cure pursuant to Sections 14.3 or 14.4 hereof in any 12-month period, regardless of whether the defaults set forth in the notices were subsequently cured.

14.3.1 *Breach of Other Agreements.* If Franchisee or Franchisee's principals materially breach any other agreement with Franchisor or any of Franchisor's Affiliates, or threaten any material breach of any such agreement, or any lease for the Approved Location, and fails to cure such breach within any permitted period for cure.

14.3.2 *Misuse of the Proprietary Marks or Confidential Information.* If Franchisee or Franchisee's principals violate any provision hereof pertaining to Proprietary Marks or Confidential Information or misuse the Proprietary Marks or Confidential Information.

14.3.3 *Violation of Law.* If Franchisee violates any law, ordinance or regulation in the operation of the Franchised Business, including the leasing of any space to a third party at the Approved Location, or operates the Franchised Business in a manner that presents a health or safety hazard to customers, or the general public.

14.3.4 *Violation of In-term Restrictive Covenant.* If Franchisee violates the in-term restrictive covenant contained in Section 13.2.1 or any of the other restrictive covenants set forth in this Franchise Agreement.

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

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

14.3.7 *Abandonment.* If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue the franchisee business in accordance with the terms of this Franchise Agreement and shall apply in any event Franchisee fails to: (i) operate the Franchised Business and actively lease portions of the facility at the Approved Location for a period of five (5) or more consecutive days without Franchisor's prior written approval; (ii) submit the required Gross Revenues Reports for three consecutive reporting periods.

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

14.3.9 *Unapproved Purchases.* Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier or which Franchisor has not approved.

14.3.10 *Proprietary Software.* Franchisee misuses or makes unauthorized use of any Proprietary Software Franchisor may develop for use in connection with the System.

14.3.11 *Insurance.* Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fail to adhere to the insurance requirements under this Franchise Agreement and the Guide.

14.3.12 *Government Regulations.* Franchisee fails, within fifteen (15) calendar days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Franchised Business.

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

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

14.3.15 *Insufficient Funds.* If there are insufficient funds in the bank account(s) Franchisee authorized Franchisor to make withdrawals from in connection with paying the required amounts under this Franchise Agreement three (3) or more times within any twelve (12) month period.

**14.4 Upon 15 Days' Notice to Cure.** Franchisor has the right to terminate this Franchise Agreement if any of the following defaults remains uncured after Franchisor provides Franchisee with notice of such default(s) and fifteen (15) days to cure:

14.4.1. *Nonpayment.* If Franchisee fails to pay Franchisor as and when due any sums owed to Franchisor, any of Franchisor's Affiliates, or any of Franchisor's system suppliers or vendors.

14.4.2. *Endorsement of Checks.* Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously made to Franchisee.

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

14.4.4. *Failure to Open.* If Franchisee fails to commence operations of Franchisee's Franchised Business within the time prescribed in this Franchise Agreement.

14.4.5. *Interruption of Service.* If Franchisee fails to maintain the prescribed months, days or hours of operation at the Franchised Business, unless such failure constitutes abandonment under Section 14.2.3 of this Franchise Agreement.

14.4.6. *Failure to Personally Supervise Franchised Business Operations or Employ Adequate Personnel.* If Franchisee or Franchisee's Designated Manager fails, in Franchisor's sole discretion, to personally supervise day-to-day operation of the Franchised Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time.

14.4.7. *Quality Control.* If Franchisee fails to maintain the strict quality controls reasonably required by this Franchise Agreement and/or the Guide.

14.4.8. *Licenses and Permits.* Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Franchised Business.

**14.5 Upon 30 Days' Notice to Cure.** Franchisor has the right to terminate this Franchise Agreement if Franchisee fails to perform or comply with any other term or condition of this Franchise Agreement, or any ancillary agreements between Franchisee and Franchisor or Franchisor's Affiliates, if Franchisee fails to cure such default(s) within 30 days after being provided with notice thereof.

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

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

**14.8 Cross Default.** If there are now, or hereafter shall be, other franchise agreements in effect between Franchisor and Franchisee, a default by Franchisee under the terms and conditions of this or any other of such agreements, shall at the option of Franchisor, constitute a default under all such agreements.

**14.9 Termination by Franchisee.** If Franchisee and Franchisee's owners are in full compliance with this Franchise Agreement, and Franchisor materially fails to comply with this Franchise Agreement and Franchisor does not correct the failure within thirty (30) days after Franchisee delivers notice of the material failure to Franchisor or, if Franchisor cannot correct the failure within thirty (30) days, give Franchisee, within thirty (30) days after Franchisee's notice, reasonable evidence of Franchisor's effort to correct the failure within a reasonable time, Franchisee may terminate this Franchise Agreement effective an additional thirty (30) days after Franchisee delivers to Franchisor written notice of termination. Franchisee's termination of this Franchise Agreement other than according to this Section 14.9 will be deemed a termination without cause and a breach of this Franchise Agreement.

## 15. **RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION**

**15.1 Franchisee's Obligations.** Upon termination of this Franchise Agreement, regardless of the cause, and upon expiration (without the grant of a successor franchise term) or transfer of this Franchise Agreement, Franchisee must, at Franchisee's cost and expense:

15.1.1 Immediately cease all operations of the Franchised Business under this Franchise Agreement;

15.1.2 Pay Franchisor immediately all unpaid fees and pay Franchisor, Franchisor's Affiliates, Franchisor's approved suppliers and vendors, all other monies owed;

15.1.3 Discontinue immediately the use of the Proprietary Marks, including any use of the Proprietary Marks on any vehicle(s) used in connection with the Franchised Business, and provide Franchisor with proof of de-identification of such vehicles and the Franchised Business within (fifteen) 15 calendar days of the termination/expiration of this Franchise Agreement;

15.1.4 Return the Guide and any other Proprietary Materials and Confidential Information, including without limitation all former and existing clientele and customer leases, agreements, future leasing arrangements that have been made (and corresponding schedules) and all other clientele/customer data and lists, within ten (10) calendar days and immediately and permanently cease use of such information and materials;

15.1.5 Franchisee acknowledges that all telephone numbers, facsimile numbers, Social Media websites, Internet addresses and e-mail addresses (collectively "**Identifiers**") used in the operation of the Franchised Business constitute Franchisor's assets, and upon termination or expiration of this Franchise Agreement, Franchisee will take such action within five (5) days to cancel or assign to Franchisor or Franchisor's designee as determined by Franchisor, all of Franchisee's right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any Identifiers, and any regular, classified or other telephone directory listing associated with the Identifiers and to authorize a transfer of the same to, or at Franchisor's direction. Franchisee agrees to take all action required to cancel all assumed names or equivalent registrations related to Franchisee's use of the Marks. Franchisee acknowledges that, Franchisor has the sole rights to, and interest in, all Identifiers used by Franchisee to promote the Franchised Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing.

Franchisee further appoints Franchisor to direct the telephone company, postal service, registrar, Internet service provider, listing agency, website operator, or any other third party to transfer such Identifiers to Franchisor or Franchisor's designee. The telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party may accept such direction by Franchisor pursuant to this Franchise Agreement as conclusive evidence of Franchisor's rights to the Identifiers and Franchisor's authority to direct their transfer.

15.1.6 Immediately vacate the Franchised Business premises and, if Franchisor exercised Franchisor's rights pursuant to Franchisor's prescribed form of Collateral Assignment of Lease, arrange for transfer of the lease for the Approved Location to Franchisor within fifteen (15) calendar days of termination or expiration of this Franchise Agreement. In the event Franchisor provides proper notice that it is assuming the lease for the Approved Location, Franchisee must make sure to pay any outstanding amounts due the landlord in connection with the leasing of the Approved Location prior to the Franchisor assuming Franchisee's obligations under such lease;

15.1.7 Surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks as Franchisor directs and all items which are a part of the trade dress of the System no later than fifteen (15) calendar days after the termination or expiration of this Franchise Agreement;

15.1.8 Cease to hold itself out as Franchisor's franchisee immediately;

15.1.9 Take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark Franchisor licensed to Franchisee and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within fifteen (15) calendar days after the termination, expiration or transfer of this Franchise Agreement;

15.1.10 Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records within one month of the effective date of termination, expiration, or transfer;

15.1.11 Comply with the post-termination covenants set forth in Section 13 hereof, all of which shall survive the transfer, termination or expiration of this Franchise Agreement;

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

15.1.13 Execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 15.

**15.2 Option to Purchase Personal Property.** Upon the termination or expiration of this Franchise Agreement, Franchisor, or Franchisor's designee shall also have the option, but not the obligation, to purchase any personal property used in connection with operation of Franchisee's Franchised Business by providing Franchisee written notice of Franchisor's election within sixty (60) calendar days after such termination or expiration and paying Franchisee the fair value for such personal property within sixty (60) calendar days of such notice. If Franchisee and Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by Franchisee and Franchisor and an average of the two appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Marks and business system licensed to Franchisee. Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any

personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Franchised Business, or Franchisor may require that Franchisee close the Franchised Business during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Franchise Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Franchised Business. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

**15.3 Exclusions.** Franchisor may exclude any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the operation of the Franchised Business, or that Franchisor has not approved as meeting standards for the Franchised Business, from the personal property purchased under 15.2.

**15.4 Damages, Costs, and Expenses.** In the event of termination for any default by Franchisee, Franchisee shall promptly pay to Franchisor all damages (including without limitation consequential damages and Franchisor's opportunity costs), costs and expenses, including reasonable attorney fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Franchised Business.

## 16. SALE OR TRANSFER

**16.1 Transfer.** Franchisee's rights under this Franchise Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in the franchise business without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Franchise Agreement to termination as specified herein.

### 16.2 **Death or Disability.**

16.2.1 *Representative's Right to Continue as Franchisee.* In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's partners or personal guarantors, Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable) shall have the right to continue the operation of the Franchised Business as franchisee under this Franchise Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity ("**90 Day Period**"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any Entity, franchisee's obligations to Franchisor and Franchisor's Affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Franchise Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

16.2.2 *Franchised Business Operation During and After 90 Day Period.* Franchisor is

under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously-approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate Franchisee's Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any Affiliate) in such priorities as Franchisor determines from time-to-time in Franchisor's sole and absolute discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of Franchisee's Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of Franchisee's Franchised Business.

**16.3 Ownership Changes.** A sale, transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning any portion of the Entity will be required to personally guarantee Franchisee's obligations under this Franchise Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 16.4 below.

**16.4 Franchisor's Right of First Refusal.** If Franchisee proposes to transfer either this Franchise Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party other than an Entity as set forth in this Section 16, Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("**Letter of Intent**"). If Franchisor elects not to accept the offer within a 30 day period, Franchisee shall have a period not to exceed 60 days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 16.5). Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer shall be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

**16.5 Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the franchise business or of Franchisee's interest in this Franchise Agreement upon satisfaction of the following occurrences:

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

16.5.2 Franchisee must cure all existing defaults under this Franchise Agreement, or any

other agreement between Franchisee and Franchisor, Franchisor's Affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;

16.5.3 Franchisee and Franchisee's principals (if Franchisee is an Entity), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's Affiliates), must execute a general release under seal, in a form satisfactory to Franchisor (such as **Exhibit F-1** to the franchise disclosure document), of any and all claims against Franchisor and Franchisor's Affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities; provided, however, the release shall not be inconsistent with any applicable state statute regulating franchising;

16.5.4 Franchisee and Franchisee's principals (if Franchisee is an Entity), and the transferee, must execute an approval of requested assignment, in a form satisfactory to Franchisor;

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

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

16.5.7 The transferee shall execute Franchisor's then-current franchise agreement for the unexpired term of this Franchise Agreement;

16.5.8 Franchisee or transferee shall pay Franchisor a transfer fee up to Ten Thousand Dollars (\$10,000) as designated by Franchisor, plus any third party broker fees or other forms of compensation due to third parties and related to the transfer, One Thousand Dollars (\$1,000) of which shall be due as a non-refundable deposit prior to Franchisor's approval of the proposed transfer or sale;

16.5.9 The transferee shall satisfactorily complete Franchisor's training program within the time frame Franchisor sets forth and with all expenses incurred in connection with attending and completing such training to be borne solely by the transferee;

16.5.10 Franchisee (and Franchisee's principals if Franchisee is an Entity), and the members of their respective families must comply with the post-termination provisions of this Franchise Agreement;

16.5.11 The transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Franchised Business;

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

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

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

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

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

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

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

**16.6 Transfer to a Corporation or Limited Liability Company.** If Franchisee is an individual and desires to assign its rights under this Franchise Agreement to an Entity, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee set forth in Section 16.5, and such assignment will not be subject to Franchisor's right of first refusal in Section 16.4, provided:

16.6.1 The Entity is newly organized and its activities are confined to operating the Franchised Business;

16.6.2 Franchisee is, and at all times remains, the owner of fifty-one (51%) or more of the interest in the Entity;

16.6.3 The Entity agrees in writing to assume all of Franchisee's obligations hereunder;

16.6.4 All stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the Entity all its obligations to Franchisor and Franchisor's Affiliates, under this Franchise Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's Affiliates and execute the Owners Agreement attached to this Franchise Agreement as **Attachment B**;

16.6.5 The articles of incorporation and bylaws of the corporation, or the operating agreement or other governing document of the limited liability company, shall reflect this Franchise Agreement and all other agreements Franchisor specifies, and the transferee must submit to Franchisor such documents relating to the Entity as Franchisor may require;

16.6.6 No shares in the transferee entity may be issued or transferred without the written consent of Franchisor;

16.6.7 No changes to the Entity's governing documents may be made without the express written consent of Franchisor;

16.6.8 No shares may be pledged as collateral for any Entity obligations without the express written consent of Franchisor; and

16.6.9 Corporate or limited liability company books and records, including minutes of meetings, must be furnished to Franchisor upon request.

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

## 17. **DISPUTE RESOLUTION**

**17.1 Choice of Law.** This Franchise Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without reference to its conflict of laws principals.

### **17.2 Informal Dispute Resolution**

17.2.1 Except as specifically provided in this Franchise Agreement, and before initiating any mediation or arbitration proceeding for any dispute arising under or relating to this Franchise Agreement, the party intending to initiate the proceeding will notify the other party in writing of the existence and nature of the dispute. Within 15 business days after the other party's receipt of the notice, one of Franchisor's officers or managers will meet with Franchisee or one of Franchisee's owners, officers or managers at Franchisor's principal place of business in Virginia Beach, Virginia, other mutually agreeable location, or by telephone, to negotiate in good faith in an effort to resolve the dispute amicably. If this informal attempt to resolve the dispute is unsuccessful, either party may initiate formal dispute resolution as described in Section 17.3. This provision 17.2 shall not apply to a controversy, dispute or claim concerning an allegation by Franchisor that Franchisee has violated (or threatens to violate, or poses an imminent risk of violating): (a) any of Franchisor's federally protected intellectual property rights in the Marks, the System, or in any of Franchisor's trade secrets or confidential information; (b) any claims pertaining to or arising out of any warranty issued; or (c) any of the restrictive covenants contained in this Franchise Agreement.

### **17.3 Formal Dispute Resolution**

17.3.1 *Mediation.* Except as specifically provided in this Franchise Agreement, following completion of the Informal Dispute Resolution process set forth in Section 17.2, all claims or disputes between the Parties arising out of, or in any way relating to, this Franchise Agreement, or any of the Parties' respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to mediation prior to a hearing in binding arbitration or a trial court proceeding. Such mediation shall take place in Virginia Beach, Virginia (or Franchisor's then-current headquarters) in accordance with the Mediation Rules of the American Arbitration Association ("**AAA**") then in effect. Franchisee may not commence any action against Franchisor with respect to any such claim or dispute in any court or arbitration hearing unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. The Parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator's fees. Franchisor reserves the right to specifically enforce its right to mediation. Prior to mediation and before commencing any legal action against Franchisor with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies in detail, the precise nature and grounds of such claim or dispute.

17.3.2 *Arbitration.* Except as specifically provided in this Franchise Agreement, the Parties agree that any and all disputes between them, and any claim by either Party that cannot be amicably settled, shall be submitted to binding arbitration before a single arbitrator in accordance with the commercial arbitration rules of AAA. At the option of either Party, the arbitrator shall be selected from a

list of retired federal or state judges supplied by AAA, if available. This agreement to arbitrate shall be enforceable through a motion to compel arbitration filed with the court having jurisdiction over such matter. The arbitrator must issue a written opinion explaining the reasons for his or her decision and award and the arbitrator will have the right to award or include in the award the specific performance of this Franchise Agreement. Each Party shall bear one-half of the arbitrator's and administration expenses incurred during the arbitration process; provided, however, that the prevailing party shall be entitled to recover its expenses, including reasonable attorneys' fees, accounting fees and arbitrator and administrative expenses, in addition to any other relief to which it is found entitled. All arbitration proceedings shall take place in Virginia Beach, Virginia, or, if Franchisor's principal place of business is at another location at the time that arbitration is sought, in the city of Franchisor's then principal place of business.

17.3.3 *Claims Excluded.* Franchisor will not be required to initiate the informal dispute resolution process, arbitrate or first attempt to mediate a controversy, dispute or claim against Franchisee through arbitration or mediation as set forth in this Section 17 if such controversy, dispute or claim concerns an allegation by Franchisor that Franchisee has violated (or threatens to violate, or poses an imminent risk of violating): (a) any of Franchisor's rights in the Marks, the System, or in any of Franchisor's trade secrets, Intellectual Property, or Confidential Information; (b) any claims pertaining to Franchisor's non-monetary post-termination obligations; or (c) any of the restrictive covenants contained in this Franchise Agreement. Nothing in this Franchise Agreement bars Franchisor or Franchisee from seeking preliminary injunctive or declaratory relief against a breach or threatened breach of this Franchise Agreement pending arbitration or mediation of the dispute, if applicable.

17.3.4 *Injunctive Relief.* Franchisee acknowledges that a breach of this Franchise Agreement by Franchisee which relates to any of the matters set out below, will cause Franchisor irreparable harm, for which monetary damages are an inadequate remedy. Therefore, in addition to any other remedies Franchisor has under this Franchise Agreement, Franchisor is entitled to seek and obtain from a court of law the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Franchise Agreement with respect to: (i) the Marks; (ii) the System; (iii) Intellectual Property; (iv) Franchisee's obligations upon termination or expiration of this Agreement; (v) Transfers; (vi) Confidential Information; and (vii) any act or omission by Franchisor or Franchisee's employees that: (a) constitutes a violation of any legal requirement; (b) is dishonest or misleading to customers of the Franchised Business; (c) constitutes a danger to the employees or customers of the Franchised Business or to the public; or (d) may impair the goodwill associated with the Marks or the System. Neither Party is required to post a bond or other security with respect to obtaining injunctive relief. If Franchisor secures any such injunction, Franchisee agrees to pay Franchisor an amount equal to the aggregate of its costs and expenses, including without limitation reasonable attorney fees, costs, and expenses, Franchisor incurred in obtaining such relief.

WAIVER OF PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE), WITH THE EXCEPTION OF TRADEMARK LAW TREBLE DAMAGES.

JURY TRIAL WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY,

AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OR ITS AFFILIATES AND/OR ANY GOODS OR SERVICES OBTAINED FROM FRANCHISOR OR ITS AFFILIATES.

WAIVER OF CLASS OR GROUP ACTION. ANY DISAGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE (AND/OR THEIR AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND CANNOT BE BROUGHT AS A CLASS ACTION OR CLASS ARBITRATION. FRANCHISEE WAIVES ANY RIGHT TO PROCEED AGAINST FRANCHISOR (AND FRANCHISOR'S AFFILIATES, STOCKHOLDERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, A CLASS ARBITRATION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

**17.4 Selection of Venue.** With respect to any claims not subject to arbitration as set forth in Section 17.3, the Parties agree that any actions arising out of or related to this Franchise Agreement must be initiated and litigated in the state court of general jurisdiction closest to Virginia Beach, Virginia or, if appropriate, the United States District Court for the Eastern District of Virginia. Franchisee acknowledges that this Franchise Agreement has been entered into in the Commonwealth of Virginia, and that Franchisee is to receive valuable and continuing services, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Virginia as set forth in this Section.

**17.5 Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Franchise Agreement, including the mediation provision set forth in this Section 17, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

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

**17.7 Limitation of Action.** Franchisee further agrees that no cause of action arising out of or under this Franchise Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Franchise Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Franchise Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

## 18. MISCELLANEOUS PROVISIONS

**18.1 Independent Contractor Status.** Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's Franchised Business, and neither Party to this Franchise Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other Party. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards and contractual agreements

entered into by Franchisee shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice in the place Franchisor designates, that Franchisee operates Franchisee's Franchised Business as an independently owned and operated franchised business. Nothing in this Franchise Agreement authorizes Franchisee to make any contract, agreement warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employees or subject to Franchisor's control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisee and Franchisor will each file its own tax, regulatory and payroll reports, and be responsible for all employee benefits and worker's compensation payments with respect to its respective employees and operations, and will save and indemnify the other of and from any liability of any nature whatsoever by virtue thereof.

**18.2 Responsibility of Management.** Franchisee agrees that Franchisor has entered into this Franchise Agreement in reliance upon and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the business and that the amount of profit or loss resulting from the operation of the business will be directly attributable to the performance of the Franchisee.

**18.3 Indemnification.** Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, Franchisor's Affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("**Indemnities**") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("**Claims**"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) the operation of Franchisee's Franchised Business, including the condition, or construction, equipping, decorating, maintenance or operation of the Franchised Business and Franchisee's advertising, as well as all leasing activities at the Approved Location or otherwise through the Franchised Business, as well as Franchisee's employment or other contractual relationship with Franchisees employees, workers managers, or independent contractors, including but not limited to any allegation, claim, finding, or ruling that Franchisor is an employer or joint employer of Franchisee's employees; (ii) the unauthorized use of the Proprietary Marks and other Proprietary Material; (iii) the transfer of any interest in this Franchise Agreement, Franchisee or the Franchised Business in any manner not in accordance with this Franchise Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (v) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals. For purposes of this indemnification, "**Claims**" shall mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such Claims exceed the amount of insurance coverage available through Franchisee to Franchisor. Franchisor shall have the right to defend any such Claim against it in such manner as Franchisor deems appropriate or desirable in Franchisor's sole discretion. Such an undertaking by Franchisor shall, in no manner or form, diminish Franchisee's and each of Franchisee's principals' obligations to indemnify the Indemnities and to hold them harmless. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Franchise Agreement.

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

**18.5 Construction of Language.** The language of this Franchise Agreement shall be construed according to its fair meaning, and not strictly for or against either Party. All words in this Franchise Agreement refer to whatever number or gender the context requires. If more than one Party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "**immediate family**" means Franchisee's spouse, parents, children and siblings and Franchisee's spouse's parents, children and siblings. Reference to Franchisee's "**principals**" means Franchisee's partners, officers, directors, shareholders, members and managers, as applicable. References to "**Franchisor**" and "**Franchisee**" include the Party's successors, assigns or transferees. The Parties have had a reasonable opportunity to review this Franchise Agreement. In the event of an ambiguity or if a question of intent or interpretation arises, this Franchise Agreement shall be construed as if drafted jointly by all of the Parties, and no presumptions or burdens of proof shall arise in favor of any Party by virtue of the authorship of any of the provisions of this Franchise Agreement.

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

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

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

**18.9 Force Majeure.** Neither Party to this Franchise Agreement will be liable for loss or damage or deemed to be in breach of this Franchise Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay



warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Franchise Agreement, or by reason of any neglect, delay or denial of any request therefore.

**18.14 Withholding Payments.** Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any of its Affiliates. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Franchise Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

**18.15 Further Assurances.** Each Party to this Franchise Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Franchise Agreement.

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

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

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

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

**18.20 Terms of Other Franchises May Differ.** Franchisee acknowledges that other franchisees of Franchisor have or will be granted franchises at different times and in different situations, and further acknowledges that the terms and conditions of such franchises and the resulting franchise agreements may vary substantially in economics, form and in substance from those contained in this agreement.

**18.21 No Violation of Other Agreements.** Franchisee represents that its execution of this Franchise Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

(SIGNATURE PAGE FOLLOWS)

**18.22 Signatures.** 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.

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

	Purely Pet LLC	Franchisee
Signature		
Name		
Address		
Date		

**ATTACHMENT A TO THE FRANCHISE AGREEMENT**  
**DATA SHEET AND STATEMENT OF OWNERSHIP**

1. Franchise Business Entity. The Franchised Business will be operated by and through the following business entity: \_\_\_\_\_.
2. Multi-Unit Franchise Acknowledgement. (IF APPLICABLE) Franchisee has fully executed the Multi-Unit Option Agreement and has purchased \_\_\_\_\_ Franchised Businesses.
3. Approved Location. Pursuant to Section 2.2 of the Franchise Agreement, the Approved Location shall be the following address:

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

If the Approved Location has not been selected as of the Effective Date, then Franchisee and Franchisor will execute Schedule 2 to this Attachment A upon such approval, which will not be more than one hundred and eight (180) days from the Effective Date of the Agreement.

4. Protected Territory. Pursuant to Section 2.3 of the Franchise Agreement, the Protected Territory shall be as set forth in Schedule 1 to Attachment A.
5. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

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

Daytime Telephone No.: \_\_\_\_\_

Evening Telephone No.: \_\_\_\_\_

Cellular Telephone No.: \_\_\_\_\_

Facsimile No.: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

6. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, managers, officers, and/or partners of Franchisee and the percentage interest of each individual:

Name	Position/Title	Percent of Ownership


7. Notice Address. The address for all notices to be sent to Franchisee under Section 18.11 of the Franchise Agreement is:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

IN WITNESS WHEREOF, the undersigned has duly executed this Attachment A to the Franchise Agreement:

	<b>Franchisee</b>	<b>Owner</b>
Signature		
Name		
Address		
Date		

	<b>Owner</b>	<b>Owner</b>
Signature		
Name		
Address		
Date		

**SCHEDULE 1 TO ATTACHMENT A**  
**(PROTECTED TERRITORY DESCRIPTION)**

**SCHEDULE 2 TO ATTACHMENT A**

**SITE SELECTION ADDENDUM**

On \_\_\_\_\_, Purely Pet LLC d/b/a Salty Dawg, (“Franchisor”) entered into a contract (“Franchise Agreement”) with \_\_\_\_\_ (“Franchisee”).

This Site Selection Addendum (“Addendum”) to that certain Franchise Agreement will establish the Approved Location for operation of the Franchised Business. Capitalized terms and references to sections that are not defined in this Addendum have the meanings as set forth in the Agreement.

**1. Approved Location**

Pursuant to Section 2.2 of the Franchise Agreement, Franchisee requests, and Franchisor approves the site listed below for the operation of Franchisee’s Salty Dawg Pet Salon franchised business:

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

**(the “Approved Location”)**

**2. Acknowledgment**

By signing below, Franchisor and Franchisee and agree that the Site Location identified above shall be deemed Franchisee’s approved site and Territory for the Salty Dawg Pet Salon franchised business established and operated pursuant to the Franchise Agreement. Franchisee acknowledges and agrees that Franchisor’s acceptance of the site Franchisee proposed is in no way a representation by Franchisor that Franchisee’s site will be successful. Rather, Franchisor’s acceptance of the site Franchisee proposed merely indicates that the site meets Franchisor’s minimum standards and requirements. Franchisee is solely responsible for the success or failure of the site Franchisee selected. Unless otherwise modified by this Addendum, Franchisor and Franchisee acknowledge that all other terms in the Agreement between them are fully enforceable and effective.

### 3. Signature

Intending to be bound by all the provisions expressed in this Addendum, the authorized representatives of each party affix his or her signature below to signify acceptance.

	<b>Purely Pet LLC d/b/a Salty Dawg</b>	<b>Franchisee</b>
Signature		
Name		
Title		
Date		

	<b>Owner</b>	<b>Owner</b>
Signature		
Name		
Title		
Date		

	<b>Owner</b>	<b>Owner</b>
Signature		
Name		
Title		
Date		

## ATTACHMENT B TO THE FRANCHISE AGREEMENT

### OWNERS AGREEMENT

As a condition to the granting by Salty Dawg, LLC (“we” or “us”), of a Franchise Agreement with \_\_\_\_\_ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

#### 1. Acknowledgments.

1.1 Franchise Agreement. Franchisee entered that certain **Franchise Agreement** with us simultaneously with execution of this Owners Agreement, as Attachment B to the Franchise Agreement. Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Owners’ Role. Owners are the beneficial owners of all of the equity interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

#### 2. Non-Disclosure and Protection of Confidential Information.

Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

#### 3. Covenant Not To Compete.

3.1 Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee’s restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion

of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

#### **4. Guarantee.**

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

#### **5. Transfers.**

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring

our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Owners Agreement and the Franchise Agreement.

**6. Notices.**

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

Purely Pet LLC d/b/a Salty Dawg  
780 Lynnhaven Pkwy, Ste. 240  
Virginia Beach, VA 23452

The current address of each Owner for all communications under this Owners Agreement is designated on **Attachment A** to the Franchise Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

**7. Enforcement of This Owners Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

**8. Miscellaneous.**

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

- 8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.
- 8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.
- 8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation
- 8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.
- 8.6 Successors. References to “**Franchisor**” or “**the undersigned,**” or “**you**” include the respective parties' heirs, successors, assigns or transferees.
- 8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.
- 8.8 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.
- 8.9 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

**Signatures on following page**

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNERS:**

	<b>Owner</b>	<b>Owner</b>
Signature		
Name		
Date		

	<b>Owner</b>	<b>Owner</b>
Signature		
Name		
Date		

	<b>Owner</b>	<b>Owner</b>
Signature		
Name		
Date		

**ATTACHMENT C TO THE FRANCHISE AGREEMENT**

**(FORM OF LEASE ADDENDUM)**

**LEASE ADDENDUM**

This Addendum to Lease (“**Addendum**”), dated \_\_\_\_\_, is entered into by and between \_\_\_\_\_ (“**Lessor**”), and \_\_\_\_\_ (“**Lessee**”). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease.

A. The parties hereto have entered into a certain Lease Agreement (“**Lease**”), dated \_\_\_\_\_, and pertaining to the premises located at \_\_\_\_\_ (“**Premises**”).

B. Lessor acknowledges that Lessee intends to operate a Salty Dawg Pet Salon franchise from the leased Premises pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Purely Pet LLC (“**Franchisor**”) under the name “Salty Dawg Pet Salon®” or other name designated by Franchisor (herein referred to as “**Franchised Business**”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Designated Use. During the term of the Lease, Lessee shall use the Premises solely for the operation of a Franchised Business that provides pet grooming services, retail sales of pet food and pet treats, retail sales of various pet merchandise, and other services related to pet care to pet owners with the requirements of the Franchise Agreement, unless Lessee and Lessor obtain Franchisor’s prior written consent to another use.

2. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

3. Assignment or Subletting. Lessee shall agree to attorn to any assignee of Lessor provided such assignee will agree not to disturb Lessee’s possession of Premises. Lessee shall have the right to assign or sublet all of its right, title and interest in the Lease, at any time during the term of the Lease, including any extensions or renewals thereof, without charge and without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease

attached hereto as **Attachment C-1**: (a) to Franchisor or Franchisor's parent, subsidiary, or affiliate, (b) to a duly authorized franchisee of Franchisor, (c) in connection with a merger, acquisition, reorganization or consolidation, or (d) in connection with the sale of Lessee's corporate stock or assets. However, no assignment or sublease shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or Franchisor's parent, subsidiary or affiliate unless and until the Lease is assigned or sublet to, and accepted in writing by, Franchisor or Franchisor's parent, subsidiary or affiliate. In the event of any assignment or sublease, Lessee shall at all times remain liable under the terms of the Lease. Franchisor shall have the right to reassign or sublease the Lease to another franchisee without the Lessor's consent in accordance with Section 4(a). Lessor understands and agrees that, in connection with Lessee's assignment or subletting of the Lease to a duly authorized franchisee of Franchisor, Franchisor shall be permitted to charge "additional rent" or "percentage rent" or other charges to its franchisee as part of its regular plan of franchising, and Lessor shall not be entitled to any consideration or additional rent as a result of any fees paid to Franchisor by franchisee pursuant to the Lease or otherwise.

4. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, or by a recognized overnight courier or delivery services to the following address:

Purely Pet LLC  
780 Lynnhaven Pkwy, Ste. 240  
Virginia Beach, VA 23452  
Attention: CEO

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's authorization of the Lease (together with this Addendum), Lessor and Lessee agree not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any extension thereof without Franchisor's prior written consent, which Franchisor has the right to grant or deny for any reason or no reason, and

any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder.

5. Termination or Expiration.

(a) Upon Lessee's default of either the Lease or the Franchise Agreement, and Lessee's subsequent failure or refusal to cure the default within the applicable cure period, if any, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign or sublet the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided Franchisor agrees to assume Lessee's obligations and the Lease.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

6. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Attachment C-1**.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

7. Sales Reports and Inspection. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business. Lessor acknowledges that the Franchise Agreement grants Franchisor the right of inspection of Lessee's Premises, and Lessor agrees to cooperate with Franchisor's efforts to enforce Franchisor's inspection rights.

8. No Competition by Other Lessees of Lessor. Lessor agrees that it will not do business with nor lease to another business whose primary business is the operation of pet grooming services.

9. No Radius Clause. The radius restriction set forth in the Lease is hereby deleted.

10. No Relocation Clause. Any relocation clause found in the Lease is hereby deleted.

11. Casualty and Condemnation. In the event the Premises are completely or partially damaged by fire or other casualty or are condemned by a governmental agency in whole or in part, such that the Premises cannot, in Lessee's reasonable business judgment, be used by Lessee for their intended purposes, or can only be partially used by Lessee (it being understood that Lessee, in its reasonable business judgment, shall decide whether to remain open prior to the completion of repairs to the Premises) and this Lease is not terminated as otherwise provided in this Lease, there shall be an equitable abatement of rent, any percentage rent and other charges payable by Lessee hereunder for any days the Lessee cannot use the entire Premises. In the event the Premises are not repaired or restored by Lessor within 180 days after the date of the casualty or condemnation, Lessee may elect to terminate this Lease upon 30 days' prior written notice to Lessor.

12. Common Areas-No Changes. Lessor shall not change or alter the common areas in any manner which would alter the dimensions or location of the Premises or adversely affect the use, operation or conduct of Lessee's business being conducted in the Premises, adversely affect the accessibility or visibility of the Premises or reduce the existing parking facilities of the Shopping Center by more than 10%.

13. Hazardous Materials. Lessor represents and warrants that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "**Hazardous Materials**"). Notwithstanding any provision of this Lease to the contrary, Lessee shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Shopping Center, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Lessee. Lessor shall be solely responsible for any changes to the Premises relating to Hazardous Materials, unless those Hazardous Materials were brought onto the Premises by Lessee. Lessor shall indemnify and hold Lessee harmless from and against all liabilities, costs, damages and expenses which Lessee may incur (including reasonable attorneys' fees) as the result of a breach of Lessor's representation and warranty set forth in this paragraph or the presence of Hazardous Materials in or about the Shopping Center, the Building or the Premises, unless those Hazardous Materials were brought onto such areas by Lessee.

14. Insurance and Waiver of Subrogation. Lessee may maintain the required liability insurance in the form of a blanket policy covering other locations of Lessee in addition to the Premises. Lessee may self-insure plate glass, so long as Lessee agrees not to hold Lessor liable for any losses resulting to plate glass. Whenever (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty is incurred to the Premises or contents thereof by either party to this Lease, and (ii) such party is covered in whole or in part by insurance with respect to such loss, cost, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, cost, damage or expense to the extent of any

amount recovered from such insurance (or which would have been recovered had the party carried the insurance required to be carried pursuant to the terms of the Lease), including any deductibles under such policies..

15. Lessor Warranties. Lessor represents, covenants and warrants (i) that Lessor has lawful title to the Premises and has full right, power and authority to enter into this Lease; (ii) that the Franchised Location is in compliance with the Americans with Disabilities Act (“**ADA**”); (iii) that the permitted “use” of the Premises does not currently violate the terms of any of Lessor's insurance policies; (iv) that Lessor currently maintains all risk of physical loss coverage for the full replacement cost of the Premises and shall maintain throughout the term of this Lease general liability insurance coverage for the Premises consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the Premises in the same area; and (v) that so long as Lessee pays all monetary obligations due under this Lease and performs all other covenants contained herein beyond all applicable notice and cure periods, Lessee shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of this Lease and its use and occupancy thereof shall not be disturbed. Lessor covenants and agrees that Lessor shall take no action that will interfere with Lessee's intended usage of the Premises. Lessor shall indemnify and hold harmless Lessee and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (x) Lessor's operation of the Franchised Business, (y) Lessor's breach in the performance of any of its obligations under this Lease, or (z) any violation of law by Lessor or any other act or omission of Lessor or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of this Lease.

16. Lessor Work and Repair. Lessor shall perform all work described in the Lease and **Exhibit** \_\_ attached hereto and incorporated herein. Lessor shall be responsible for the payment of all tap fees and system development fees incurred in connection with Lessor's provision of utilities to the Premises. Utilities shall be “stubbed” to the Premises at no cost to Lessee. All Lessor work shall be performed in a workmanlike manner with quality materials in compliance with all laws, codes and all regulations. If Lessor's work is not performed as herein required, or if such work or the Premises is not in compliance with all laws, codes or other regulations, Lessor shall perform the necessary remedial work at its sole cost and expense. Lessor covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Lessee, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural systems including, without limitation, the roof, roof membrane roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

17. Mitigation. Lessor shall use reasonable efforts to mitigate its damages in the event of a Lessee default.

18. Lessee Financing. Lessee shall have the right from time to time during the term of the Lease, and without Lessor's prior approval, to grant and assign a mortgage or other security interest in Lessee's interest under this Lease and all of Lessee's personal property located within the Premises to Franchisor or Franchisee's lenders in connection with Lessee's financing

arrangements and any lien of Lessor against Lessee's personal property (whether by statute or under the terms of this Lease) shall be subject and subordinate to such security interest. Lessor shall execute such documents as Lessee's lenders may reasonably request in connection with any such financing.

19. Closure of Business Operation. Notwithstanding anything in the Lease to the contrary, Lessee may close its business once every five (5) years for a reasonable time to refurbish and redecorate the Premises.

20. Removal of Trade Dress/Personal Property. Lessor shall permit Lessee fifteen (15) days from the termination or expiration of the Lease to remove Lessee's property. Lessor shall permit Lessee to remove its trade dress within fifteen (15) days after the termination or expiration of the Lease or within fifteen (15) days after Lessee has received proper notice from Lessor of the termination or expiration pursuant to Section \_\_, whichever later occurs.

21. Alterations. Lessor's consent shall not be required for non-structural or non-mechanical alterations, additions or changes to the Premises.

22. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

23. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

24. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third-party beneficiary of this Lease and this Addendum.

**IN TESTIMONY WHEREOF**, witness the signatures of the parties hereto as of the day, month and year first written above.

**LESSOR:**  
\_\_\_\_\_

**LESSEE:**  
\_\_\_\_\_

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

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

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

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

**ATTACHMENT C-1  
TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of \_\_\_\_\_ (“**Effective Date**”), the undersigned, \_\_\_\_\_ (“**Assignor**”), hereby assigns, transfers and sets over unto Salty Dawg, LLC (“**Assignee**”) all of Assignor’s right, title and interest as Lessee, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A** (“**Lease**”) with respect to the premises located at \_\_\_\_\_ (“**Premises**”). This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the Premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement (“**Franchise Agreement**”) for a Salty Dawg Pet Salon Franchised Business between Assignee and Assignor, or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in that event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any successor terms thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees or instructs in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

**[Signatures on following page]**

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

	<b>ASSIGNOR Franchisee</b>	<b>ASSIGNEE Purely Pet LLC</b>
Signature		
Name		
Title		
Date		

**EXHIBIT C**

**MULTI-UNIT OPTION AGREEMENT**

**EXHIBIT C**

**MULTI-UNIT OPTION AGREEMENT**

This Multi-Unit Option Agreement (“Multi-Unit Agreement”) is by and between Purely Pet LLC, a Virginia limited liability company (“Franchisor”), and the entity or individual(s) identified on the signature page of this Multi-Unit Agreement (“Franchisee” or “you”).

**RECITALS**

A. Franchisor has developed and owns the rights to franchise a unique and distinctive franchise system relating to the establishment and operation of facilities that provide high end pet grooming services and pet retail products to pet owners under the trademarks “**Salty Dawg Pet Salon**” (individually the “**Franchised Business**”).

B. You wish to obtain the option to open and operate a total of (select one):

<b>Selection</b>	<b>Description</b>	<b>Option Fee</b>
	Two (2) Franchised Businesses	\$70,000
	Three (3) Franchised Businesses	\$100,000
	Four (4) Franchised Businesses	\$130,000
	Five (5) Franchised Businesses	\$160,000
	_____ ( ) Franchised Businesses	\$_____.

and exercise your option to open each Franchised Business within the time periods prescribed in Paragraph 6 of this Multi-Unit Agreement.

C. Contemporaneous with the execution of this Multi-Unit Agreement, you and Franchisor will enter into Franchisor’s then-current form of franchise agreement (the “**Initial Franchise Agreement**”) for your first Franchised Business (the “**Initial Franchised Business**”).

D. Franchisor desires to grant you the option to open the Initial Franchised Business and, depending on the option you selected above, the additional Franchised Businesses (each, an “**Additional Franchised Business**” and, collectively, the “**Additional Franchised Businesses**”), each of which will be located in the Search Territory described in Section 8 below, and all pursuant to the terms and conditions set forth in this Multi-Unit Agreement.

**NOW, THEREFORE**, for mutual promises expressed in this Multi-Unit Agreement, along with other valuable consideration, the receipt of which is acknowledged, Franchisor and Franchisee (the “Parties”) will be bound as follows:

**TERMS**

1. **Recitals.** The recital Paragraphs, above, are fully incorporated herein.
2. **Grant of Option.** Franchisor hereby grants you the right to open and operate the Initial Franchised Business pursuant to the terms of the Initial Franchise Agreement, as well as the option to open the Additional Franchised Businesses within the time periods prescribed herein (each, an “**Option Period**”) pursuant to Franchisor’s then-current form of franchise agreement for Franchised Businesses, all subject to the terms the terms and conditions of this Multi-Unit Agreement.

3. **Option Fee.** Immediately upon execution of this Multi-Unit Agreement, you must pay Franchisor a non-refundable option fee in the amount indicated in Paragraph B, above (the “**Option Fee**”), which will be deemed fully earned upon payment and is not refundable under any circumstances, in consideration of: (i) administrative, legal and other expenses incurred by Franchisor in granting this option; and (ii) Franchisor’s lost or deferred opportunity to enter into a franchise agreement with others.

4. **No Additional Franchise Fees.** Notwithstanding anything contained in the Initial Franchise Agreement or either of Franchisor’s then-current form(s) of franchise agreement for the Additional Franchised Businesses (each, an “**Additional Franchise Agreement**”), the parties agree and acknowledge that you will not be required to pay any “**Initial Franchise Fee**” under the Initial Franchise Agreement or Additional Franchise Agreements.

5. **Execution of the Initial Franchise Agreement.** You agree to execute the Initial Franchise Agreement contemporaneously with your execution of this Multi-Unit Agreement.

6. **Option Period and Failure to Exercise.** Under the Initial Franchise Agreement, you acknowledge that you must open and commence operations of your Initial Franchised Business within 12 months of the date you execute your Initial Franchise Agreement. You must exercise your option to own and operate the second Franchised Business by: (i) entering into Franchisor’s then-current franchise agreement for that Franchised Business on or before the opening date of your Initial Franchised Business; and (ii) ensuring that you are in compliance with the conditions set forth in Section 7 hereof, all of which are pre-conditions to you exercising your option rights. Similarly, you must exercise your option to own your third Franchised Business by signing Franchisor’s then-current form of franchise agreement for that Franchised Business on or before the opening date of your second Franchised Business. If you elected to open more than three (3) Franchised Businesses by indicating so above, you must exercise your option to own each subsequent Franchised Business under this Multi-Unit Agreement by signing Franchisor’s then-current form of franchise agreement for that Franchised Business on or before the opening date of the immediately preceding Franchised Business. In no event will any of your Franchised Businesses open later than one (1) year from the date you open your immediately preceding Franchised Business. If you fail to timely exercise your option or comply with any of the other obligations set forth in Section 7 hereof with respect to any Franchised Business within the appropriate Option Period, then: (i) Franchisor may terminate this Multi-Unit Agreement upon notice; and (ii) any remaining option rights you have to open Additional Franchised Businesses under this Multi-Unit Agreement will be terminated as well without any refund of any portion of the Option Fee. This Multi-Unit Agreement will automatically terminate upon your opening of the last Additional Franchised Business set forth herein.

7. **Conditions for Exercising Your Option.** In order to exercise your option for Franchised Businesses after your Initial Franchised Business, you must satisfy the following conditions:

7.1 You must not be in default of this Multi-Unit Agreement, your Initial Franchise Agreement, any Additional Franchise Agreement, or other any other agreement between you and Franchisor, and must have fully performed all of your material obligations under these agreements throughout their respective terms;

7.2 You must have opened your Initial Franchised Business and, if appropriate, all subsequent Franchised Businesses, within the time periods prescribed in the respective franchise agreement you entered into for that Franchised Business;

7.3 Neither this Multi-Unit Agreement, nor any of the franchise agreements you previously entered into with Franchisor may have expired or been terminated for any reason;

7.4. You have timely paid all fees or other monies due to Franchisor as and when due under the terms of the Initial Franchise Agreement or any other agreement with Franchisor; and

7.5. There must be no change in the effective control of you (by way of change in share ownership, membership, or partnership interest, or otherwise) without Franchisor's written consent.

8. **Search Territory.** For so long as this Multi-Unit Agreement remains in place, you are granted the right to search for and locate, with Franchisor's written approval, your Franchised Businesses in the geographical areas defined in **Schedule 1A to this Exhibit C ("Search Territory")**.

9. **Sale or Assignment.** Your rights under this Multi-Unit Agreement are personal and you may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent. Notwithstanding the foregoing, if you are an individual or a partnership, you have the right to assign your rights under this Multi-Unit Agreement to a corporation or limited liability company that is wholly owned by you according to the same terms and conditions as provided in the Initial Franchise Agreement. Franchisor has the right to assign this Multi-Unit Agreement in whole or in part.

10. **Time of the Essence.** Time is of the essence with respect to any time fixed for performance of any requirement set forth in this Multi-Unit Agreement.

11. **Acknowledgment.** **You acknowledge that this Multi-Unit Agreement is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.**

12. **Notices.** All notices, requests, and reports to be given under this Multi-Unit Agreement are to be in writing, and delivered either by hand, overnight mail, or certified mail, return receipt requested, prepaid to the addresses set forth with the signatures on this Multi-Unit Agreement (which may be changed by written notice).

13. **Choice of Law and Venue.** This Multi-Unit Agreement will be governed by the laws of the Commonwealth of Virginia (without reference to its conflict of laws principals). The exclusive venue for any dispute arising from or under this agreement, shall be Virginia Beach, Virginia.

14. **Dispute Resolution.** Except as provided herein, any disputes arising under this Multi-Unit Agreement shall be resolved by referring to the dispute resolution provisions contained in the Initial Franchise Agreement.

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

16. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Multi-Unit Agreement and the dispute resolution procedures contained herein, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by you.

17. **Jury Trial Waiver.** With respect to any proceeding not subject to mediation, the parties hereby agree to waive trial by jury in any action, proceeding, or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver will apply to any matter whatsoever between the Parties

hereto which arises out of or is related in any way to this Multi-Unit Agreement, the performance of either party, and/or your purchase from Franchisor of the franchise, option and/or any goods or services.

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

19. **Attorney Fees.** If either Party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Multi-Unit Agreement and Franchisor prevails in the action or proceeding, you will be liable to Franchisor for all costs, including reasonable attorney fees, incurred in connection with such proceeding.

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

21. **Severability.** The Parties agree that if any provisions of this Multi-Unit Agreement may be construed in two (2) ways, one (1) of which would render the provision illegal or otherwise voidable or unenforceable, and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The language of all provisions of this Multi-Unit Agreement will be construed according to fair meaning and not strictly construed against either Party. The provisions of this Multi-Unit Agreement are severable, and this Multi-Unit Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Multi-Unit Agreement is stricken or declared invalid, the Parties agree to negotiate mutually acceptable substitute provisions. In the event that the Parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Multi-Unit Agreement.

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

23. **Successors.** References to "Franchisor" or "you" include the respective Parties' successors, assigns or transferees.

24. **Additional Documentation.** You must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Multi-Unit Agreement. In the event that you fail to comply with the provisions of this Section, you hereby appoint Franchisor as your attorney-in-fact to execute any

and all documents on your behalf that are reasonably necessary to effectuate the transactions contemplated herein.

25. **No Right to Offset.** You may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged non-performance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe, or allegedly owe, you under this Multi-Unit Agreement or any related agreements.

26. **Entire Agreement.** This Multi-Unit Agreement contains the entire agreement between the Parties concerning your option to own and operate the number of Franchised Businesses as indicated above, as well as Franchisor’s then-current form of franchise agreement you enter into with respect to each of these Franchised Businesses; no promises, inducements, or representations not contained in this Multi-Unit Agreement have been made, nor will any be of any force or effect or binding on the parties. Modifications of this Multi-Unit Agreement must be in writing and signed by both parties. In the event of a conflict between this Multi-Unit Agreement and any franchise agreement(s), the terms, conditions and intent of this Multi-Unit Agreement will control. Nothing in this Multi-Unit Agreement or any related agreement is intended to disclaim any of the representations Franchisor made to you in the Franchise Disclosure Document that Franchisor provided to you.

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS MULT-UNIT AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH BELOW (THE “EFFECTIVE DATE”).**

	Purely Pet LLC d/b/a Salty Dawg	Franchisee
Signature		
Name		
Title		
Address:	780 Lynnhaven Pkwy, Suite 240 Virginia Beach, VA 23452	
Date		

**SCHEDULE 1 A**  
**(SEARCH TERRITORY DESCRIPTION)**

**EXHIBIT D**

**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>CALIFORNIA</b>	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 213-576-7505 Toll-free 1-866-275-2677 <a href="http://www.cadfp.ca.gov">www.cadfp.ca.gov</a> ask.DFPI@dfpi.ca.gov	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 (213) 576-7505 1-866-275-2677
<b>CONNECTICUT</b>	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
<b>FLORIDA</b>	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
<b>GEORGIA</b>	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
<b>HAWAII</b>	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
<b>ILLINOIS</b>	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
<b>INDIANA</b>	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b>IOWA</b>	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>KENTUCKY</b>	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
<b>LOUISIANA</b>	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
<b>MAINE</b>	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
<b>MARYLAND</b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
<b>MICHIGAN</b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
<b>MINNESOTA</b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
<b>NEBRASKA</b>	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
<b>NEW HAMPSHIRE</b>	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
<b>NEW YORK</b>	Bureau of Investor Protection and Securities New York State Department of Law 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
<b>NORTH CAROLINA</b>	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>NORTH DAKOTA</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, 14 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
<b>OHIO</b>	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
<b>OKLAHOMA</b>	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
<b>OREGON</b>	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
<b>RHODE ISLAND</b>	Rhode Island Department of Business Regulation 1511 Pontiac Avenue, Building 68-2 Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
<b>SOUTH CAROLINA</b>	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
<b>SOUTH DAKOTA</b>	South Dakota Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-3563	Director of the South Dakota Division of Insurance, Securities Regulation Same Address
<b>TEXAS</b>	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
<b>UTAH</b>	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
<b>VIRGINIA</b>	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>WASHINGTON</b>	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
<b>WISCONSIN</b>	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

**EXHIBIT E - STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE  
DOCUMENT AND FRANCHISE AGREEMENT**

The following modifications are to Purely Pet LLC Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated \_\_\_\_\_.

The provisions of this State Law Addendum to Franchise Disclosure Document and Franchise Agreement (“State Addendum”) apply only to those persons residing or operating a Salty Dawg Pet Salon Business in the following states: Michigan, California, Illinois, Indiana, Maryland, Minnesota, New York, Rhode Island, Virginia, Washington, or Wisconsin.

## CALIFORNIA

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 Franchise Agreement.

The Franchise 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 Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise 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 Franchise 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 Franchise Agreement or Supplemental Agreements may not be enforceable.

The franchise agreement requires binding arbitration. The arbitration will occur at Houston, Texas with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.05, Code of Civil Procedure Section 1281, and the Federal Arbitration Act to any provisions of a franchise 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 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 franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of 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.

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.

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate California Corporations Code Section 31512.

Section 3.1 of the Franchise Agreement is revised to add the following language:

Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and the franchisee is open for business.

Section 3 of the Multi-Unit Option Agreement are amended to include the following:

Payment of the initial fees for the Multi-Unit Agreement is deferred until our obligations to you are complete and the first outlet is open.

Exhibit I, the Statement of Franchisee is here by deleted in its entirety.

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**

## HAWAII

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Hawaii Department of Commerce and Consumer Affairs, Business Registration Division.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

The following list reflects the status of the Franchise registrations of the Franchisor in the states which require registration:

1. This proposed registration is effective in the following states:
2. This proposed registration is or will shortly be on file in the following states:
3. States which have refused, by order or otherwise, to register these Franchises are:  
None
4. States which have revoked or suspended the right to offer the Franchises are:  
None
5. States in which the proposed registration of these Franchises has been withdrawn are:  
None

## ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

ITEM 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

ITEM 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act”.

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

ITEM 5 of the Franchise Disclosure Document, Section 1.7 of the Franchise Agreement, and Section 3 of the Multi-Unit Option Agreement are 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.

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Illinois Attorney General’s Office.

The undersigned does hereby acknowledge receipt of this addendum.

	<b>Purely Pet LLC</b>	<b>Franchisee</b>
Signature		
Name		
Title		
Date		

## INDIANA

ITEM 13 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

ITEM 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in ITEM 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two (2) years within the Protected Territory.

The “Summary” column in ITEM 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in ITEM 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in the Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in ITEM 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.
6. The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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. Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Indiana Secretary of State, Securities Division.

## MARYLAND

### ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND MULTI-UNIT OPTION AGREEMENT

ITEM 17 of the FDD and the Franchise Agreement are amended to state: “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.”

Representations in the Franchise Agreement and Supplemental Agreements 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.

ITEM 17 of the FDD and sections of the Franchise Agreement and Supplemental Agreements are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

The Franchise Agreement is amended to state: “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require 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.

The Franchise Agreement and franchisee questionnaire are amended to state that 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

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

Item 5 of the FDD, Section 3.1 of the Franchise Agreement, and Section 3 of the Multi-Unit Option Agreement are 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 franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Maryland Office of the Attorney General, Securities Division.

Exhibit I: Statement of Franchisee is hereby deleted in its entirety.

## MICHIGAN

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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 five (5) years; and (ii) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the Franchise or you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us 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 our then-current reasonable qualifications or standards.
  - (ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.
  - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

(j) The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

(k) Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Michigan Department of Attorney General, Consumer Protection Division.

**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:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 335-7567

## MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise Agreement and our Franchise System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

9. Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Minnesota Department of Commerce.
10. 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 Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

## NEW YORK

The following is added to the Risk Factors on the cover page:

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE CONTAINED IN THIS PROSPECTUS.**

ITEM 3 of the FDD is modified to read as follows:

Other than as described in ITEM 3 of the FDD, neither franchisor, its predecessor, a person identified in ITEM 2, or an affiliate offering Franchises under Franchisor's principal trademark:

A. 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, 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.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or within the ten (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: a violation of a franchise, antifraud or securities law, fraud, embezzlement fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. 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 injunction 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.

ITEM 4 of the FDD is modified to read as follows:

Other than as described in ITEM 4 of the FDD, neither the franchisor, its affiliate, its predecessor, officers or general partner during the ten (10) year period immediately before the date of the FDD: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after the officer or general partner of the Franchisor held this position in the company or partnership.

The following sentence is added to the end of the first paragraph of ITEM 5 of the FDD:

We may use the proceeds from your payment of the Initial Franchise Fee to defray our costs and expenses for providing training and assistance to you; for commission payments to brokers involved in the sale of a Franchise to you; for general working capital purposes; and for other expenses.

The first paragraph of ITEM 17 of the FDD is revised to read as follows:

You may terminate the Franchise Agreement on any grounds available by law.

ITEM 17.d. of the FDD is revised to read as follows:

You may terminate the Franchise Agreement on any grounds available by law.

ITEM 17.j. of the FDD is revised to read as follows:

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

ITEM 17.w. of the FDD is revised to read as follows:

The foregoing choice of law should not be considered a waiver of any right conferred upon either the franchisor or upon the Franchisee by Article 33 of the General Business Law of the state of New York.

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the NYS Department of Law, Investor Protection Bureau.

FRANCHISOR REPRESENTS THAT IT HAS NOT KNOWINGLY OMITTED FROM THE FRANCHISE DISCLOSURE DOCUMENT ANY MATERIAL FACT, NOR DOES THE FRANCHISE DISCLOSURE DOCUMENT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

## NORTH DAKOTA

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

ITEM 17(r) of the FDD and Section 7 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the North Dakota Securities Department

## RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Rhode Island Department of Business Regulation, Securities Division.

**SOUTH DAKOTA**

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## VIRGINIA

### Franchise Disclosure Document

Special Risks to Consider About *This* Franchise:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$198,750 to \$378,500. This amount exceeds the franchisor's stockholders' equity as of May 31, 2024, which is \$30,000.

ITEM 17(h). The following is added to ITEM 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Salty Dawg, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to ITEM 8 and 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 grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Virginia State Corporation Commission, Division of Securities and Retail Franchising.

## WASHINGTON

### WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, MULTI-UNIT OPTION AGREEMENT STATEMENT OF FRANCHISEE, AND RELATED AGREEMENTS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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, (ii) soliciting or hiring of any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor

ITEM 5 of the Franchise Disclosure Document, Section 1.7 of the Franchise 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 franchise fee until the Franchisor has fulfilled its pre-opening obligations to the franchisee and the franchisee is open for business. With respect to the Multi-Unit Option Agreement, the Washington Securities Division requires that the deferral of the Multi-Unit Option Fee will be pro-rated, such that the franchisee will pay the Franchisor the Multi-Unit Option Fee proportionally upon the opening of each unit franchise.

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Washington Department of Financial Institutions, Securities Division.

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.

**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

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
FRANCHISOR

\_\_\_\_\_  
FRANCHISEE

## WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

The Franchise Disclosure Document, Franchise Agreement, Multi-Unit Development Agreement, and any document signed in connection with the franchise are supplemented with the following language:

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.

Sections 18.16 and 18.17 of the Franchise Agreement, and Sections B.1 – B.4 of the Statement of Franchisee, are hereby deleted as those provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the Wisconsin Securities Commissioner.

## **ACKNOWLEDGMENT**

It is agreed that the applicable foregoing State-Specific Addendum, if any, supersedes any inconsistent portion of the Franchise Agreement and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect, and the parties further acknowledge and agree that this State-Specific Addendum is applicable only to those persons specifically subject to the protections of the state laws referenced in this State-Specific Addendum.

This Acknowledgment is inapplicable to Washington franchisees and the Washington Addendum applies for Washington franchisees.

Further, 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.

	<b>Purely Pet LLC</b>	<b>Franchisee</b>
Signature		
Name		
Title		
Date		

## **EXHIBIT F**

### **CONTRACTS FOR USE WITH THE FRANCHISED BUSINESS**

The following contracts contained in **Exhibit F** are contracts that Franchisee may be required to utilize or execute after signing the Franchise Agreement in the operation of the Franchised Business. The following are the forms of contracts that Purely Pet LLC uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.

## EXHIBIT F-1

### SAMPLE GENERAL RELEASE AGREEMENT WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the “**Release**”) is made as of \_\_\_\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ (“**Franchisee**”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “**Releasor**”) in favor of Purely Pet LLC, a Virginia limited liability company (“**Franchisor**,” and together with Releasor, the “**Parties**”).

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement (“**Agreement**”) pursuant to which Franchisee was granted the right to own and operate a Salty Dawg or Salty Dawg Pet Salon business (“**Franchised Business**”);

**WHEREAS**, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee (**enter into a successor franchise agreement**), and Franchisor has consented to such transfer (**agreed to enter into a successor franchise agreement**); and

**WHEREAS**, as a condition to Franchisor’s consent to the transfer (**Franchisee’s ability to enter into a successor franchise agreement**), Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor’s consent to the transfer (**Franchisor entering into a successor franchise agreement**), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. The undersigned represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “**Released Parties**”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent,

suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to Franchised Business, the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Non-Disparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the Commonwealth of Virginia.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein. This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

	<b>Franchisee</b>	<b>Franchisee's Owner</b>
Signature		
Name		
Date		

	<b>Franchisee's Owner</b>	<b>Franchisee's Owner</b>
Signature		
Name		
Date		

## EXHIBIT F-2

### SAMPLE FRANCHISE SYSTEM PROTECTION AGREEMENT

This Franchise System Protection Agreement (this “**Agreement**”) is entered into by the undersigned (“**you**”) in favor of Purely Pet LLC, a Virginia limited liability company, and its successors and assigns (“**us**”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means 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. A Competitive Business does not include a pet salon business then operating pursuant to a franchise agreement with us (“**Franchised Business**”).

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Franchised Business or the solicitation or offer of a Franchised Business, whether now in existence or created in the future.

“*Franchise System*” means our system for the establishment, development, operation, and management of a Franchised Business, including Know-how, proprietary programs and products, confidential Guide, and operating system.

“*Franchisee*” means the Franchised Business franchisee for whom you are an officer, director, employee, or independent contractor.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and Franchise System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Franchised Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the Franchise System and the Guide.

“*Guide*” means our confidential Guide for the operation of a Franchised Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Franchised Business. The term “Marks” also includes any distinctive trade dress used to identify a Franchised Business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing: (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.

*“Restricted Period”* means the two (2) year period after you cease to be a manager of Franchisee’s Franchised Business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the *“Restricted Period”* means the one (1) year period after you cease to be a manager or officer of Franchisee’s Franchised Business.

*“Restricted Territory”* means the geographic area within: (i) a 20-mile radius from Franchisee’s Franchised Business (and including the premises of the Franchised Business); and (ii) a 20-mile radius from all other company-owned, affiliate-owned, or Franchised Businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the *“Restricted Territory”* means the geographic area within a 15-mile radius from the Franchised Business (and including the premises of the Franchised Business).

**2. Background.** You are an officer, director, or manager of Franchisee. As a result of this relationship, you may gain knowledge of our Franchise System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire Franchise System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the Franchised Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager of Franchisee’s Franchised Business. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager of Franchisee’s Franchised Business by engaging in any Prohibited Activities.

**5. Unfairly Competition by Soliciting Customers After Relationship.** You agree not to unfairly compete with us during the Restricted Period by soliciting or attempting to solicit 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, or in any other manner divert business of ours (or of one of our affiliates or franchisees) to you or to any other person that is not then a franchisee of ours.

**6. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to

prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement.

**8. Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Franchised Business franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Virginia, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the

scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

**10. Signature**

Intending to be bound by the terms expressed in this Agreement, the undersigned party affixes their signature below to signify acceptance.

Signature:
Name Printed:
Date:

## EXHIBIT F-3

### SALTY DAWG PET SALON FRANCHISE

#### SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“**Agreement**”) is entered into by the undersigned (“**you**”) in favor of Purely Pet LLC, a Virginia limited liability company and its successors and assigns (“**us**”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow Franchisees to use, sell, or display in connection with the marketing and/or operation of a Franchised Business, whether now in existence or created in the future.

“*Franchise System*” means our system for the establishment, development, operation, and management of a Franchised Business, including Know-how, proprietary programs and products, confidential Guide, and operating system.

“*Franchised Business*” means a business operating pursuant to a franchise agreement with us that the operation of high-end pet salons providing grooming services to client’s pets and selling retail pet products and other related services and products using our Intellectual Property.

“*Franchisee*” means the Franchised Business franchisee for whom you are an officer, director, employee, or independent contractor.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and Franchise System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Franchised Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the Franchise System and the Guide.

“*Guide*” means our confidential Guide for the operation of a Franchised Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Franchised Business. The term “Marks” also includes any distinctive trade dress used to identify a Franchised Business, whether now in existence or hereafter created.

**2. Background.** You are an employee, independent contractor, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Franchise System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the Franchised Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee, or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Know-how to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement.

**6. Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Franchised Business franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**7. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Virginia, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

**8. Signature**

Intending to be bound by the terms expressed in this Agreement, the undersigned party affixes their signature below to signify acceptance.

Signature:
Name Printed:
Date:

**EXHIBIT F-4**

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

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

**Franchisee Information:**

Company Name	
Mailing Address (Street)	
Mailing Address (City State Zip)	
Federal Tax ID Number	

**Bank Account Information:**

Bank Name	
Bank Address (Street)	
Bank Address (City State Zip)	
Routing Number	
Account Number	
Account Type (Checking or Savings)	

**Authorization:**

Franchisee hereby authorizes Purely Pet LLC (“**Franchisor**”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature:	Name:
Title:	Date:

**EXHIBIT F-5**

**SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment (“**Agreement**”) is entered into \_\_\_\_\_  
\_\_\_\_\_, between Purely Pet LLC (“**Franchisor**”),  
\_\_\_\_\_, (“**Former Franchisee**”) and \_\_\_\_\_  
 (“**New Franchisee**”).

**RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated \_\_\_\_\_ (“**Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a pet salon business franchise located at \_\_\_\_\_ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).

2. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Franchise Agreement and waives any obligation for Former Franchisee to enter into a subordination agreement pursuant to the Franchise Agreement.

3. Termination of Rights to the Franchised Business. The parties acknowledge and agree that all of Former Franchisee’s rights to operate the Franchised Business and rights under the Franchise Agreement are hereby relinquished and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business. Former Franchisee and its owners agree to comply with all of the covenants in the Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor’s current form of General Release Agreement, which is attached to this Agreement as Attachment A.

4. New Franchise Agreement. New Franchisee shall execute Franchisor’s current form of Franchise Agreement and attachments for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), which is attached to this Agreement as Attachment B, and any

other required contracts for the operation of a Franchised Business as stated in Franchisor's Franchise Disclosure Document.

5. Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three (3) year period following the execution of this Agreement.

6. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of a new franchise agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee, and shall not involve Franchisor.

7. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Franchise Agreement or Franchised Business. Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the new Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

8. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

9. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Franchise Agreement.

10. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

11. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Virginia.

*(Signatures on following page)*

**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

	<b>Purely Pet LLC</b>	<b>Former Franchisee</b>
Signature		
Name		
Address		
Date		

	<b>New Franchisee</b>
Signature	
Name	
Address	
Date	

## EXHIBIT F-6

### SAMPLE TERMINATION OF FRANCHISE AGREEMENT AND RELEASE (UPON TRANSFER TO AN AUTHORIZED FRANCHISEE)

This Termination of Franchise Agreement and Release (“**Agreement**”) is made \_\_\_\_\_, by and between Purely Pets, LLC, a Virginia limited liability company, with its principal place of business at 780 Lynnhaven Pkwy, Ste. 240, Virginia Beach, VA 23452 (“**Franchisor**”), and \_\_\_\_\_, a \_\_\_\_\_, with a business address at \_\_\_\_\_ (“**Transferor**”).

#### BACKGROUND

A. On \_\_\_\_\_, Transferor entered into a franchise agreement (“**Franchise Agreement**”) with Franchisor for the right to operate a pet salon business franchise under Franchisor’s proprietary marks and system (“**Franchise System**”) at the following approved location: \_\_\_\_\_ (“**Franchised Business**”).

B. Transferor has satisfied all conditions of transfer as specified in the Franchise Agreement and now desires to sell the business to \_\_\_\_\_, who has been approved by Franchisor as an authorized transferee.

C. In order to complete Transferor’s sale of the business, Transferor now desires to terminate the Franchise Agreement and all rights and obligations between the parties relating to the Franchise Agreement, and Franchisor desires to accept such termination, pursuant to the terms of this Agreement.

#### AGREEMENT

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Subject to the terms and conditions contained in this Agreement, the Franchise Agreement and all rights and obligations between Franchisor and Transferor arising from or related to the Franchise Agreement are terminated, effective as of the date of this Agreement.

2. Notwithstanding anything in this Agreement to the contrary, the parties agree that Transferor shall remain bound by all of the post-term covenants and obligations contained in the Franchise Agreement including, without limitation, those relating to Confidential Information and Non-competition.

3. Transferor represents and warrants that all of Transferor’s monetary obligations to Franchisor and its subsidiaries and affiliates have been satisfied in full as of the date of this Agreement.

4. Transferor, for itself and all persons and entities claiming by, through or under it, release, acquit, and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors, and assigns (“**Franchisor Releasees**”) from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney fees, actions, or causes of action whatsoever, whether known or unknown, which Transferor, by itself, on behalf of, or in conjunction with any other person, persons, partnership, or corporation, have, had,

or claim to have against the Franchisor Releasees arising out of or related to the offer, sale, and operation of the business, and the parties' rights or obligations under the Franchise Agreement.

5. Excluding the indemnification obligations in the Franchise Agreement, and Transferor's obligations as in Section 2 of this Agreement, Franchisor, for itself and all persons and entities claiming by, through or under it, releases, acquits, and forever discharges Transferor and Transferor's employees, agents, servants, representatives, affiliates, successors, and assigns ("**Transferor Releasees**") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney fees, actions, or causes of action whatsoever, whether known or unknown, which it, by itself, on behalf of, or in conjunction with any other person, persons, partnership, or corporation, have, had, or claim to have against the Transferor Releasees arising out of or related to the offer, sale, and operation of the business, and the parties' rights or obligations under the Franchise Agreement.

6. This Agreement constitutes the entire integrated agreement of the parties with respect to the subject matter contained in this Agreement and may not be subject to any modification without the written consent of the parties.

7. This Agreement shall be construed under the laws of the Commonwealth of Virginia, which laws shall control in the event of any conflict of law.

8. This Agreement shall be for the benefit of, and binding upon the parties and their respective representatives, successors, and assigns.

9. Each party acknowledges that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not embodied in this Agreement.

10. In the event that Franchisor retains the services of legal counsel to enforce the terms of this Agreement, it shall be entitled to recover all costs and expenses, including reasonable attorney fees, incurred in enforcing the terms of this Agreement.

11. Transferor agrees that Transferor has, and had, a relationship with Franchisor at its offices in the Commonwealth of Virginia and that, with the exception of Franchisor's right to seek injunctive relief in any appropriate jurisdiction, any action by or against Franchisor arising out of or relating to this Agreement shall be commenced and concluded in the Commonwealth of Virginia, pursuant to the mediation, venue, and jurisdiction provisions of the Franchise Agreement.

12. This Agreement may be executed in multiple counterparts by the various parties, and the failure to have the signatures of all parties on a single Agreement shall not affect the validity or enforceability of any part of this Agreement against any party who executes any counterpart of the Agreement. Executed facsimile copies of this Agreement shall be deemed to be effective as original signatures.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

	Purely Pet LLC	Franchisee
Signature		
Name		
Address		
Date		

**EXHIBIT F-7A**

**COLLATERAL ASSIGNMENT OF LEASE AND LEASE ADDENDUM FORMS**

**FORM OF LEASE ADDENDUM**

**TO LEASE DATED** \_\_\_\_\_, \_\_\_\_\_ (**“Lease”**)

**BY AND BETWEEN** \_\_\_\_\_ (**“Landlord”**)

**AND** \_\_\_\_\_ (**“Tenant”**)

**For** \_\_\_\_\_ (**“Premises”**)

THIS ADDENDUM (**“Addendum”**) is entered into among Purely Pet LLC (**“Franchisor”**), and the Tenant and Landlord identified above on \_\_\_\_\_ (**“Effective Date”**) subject to the following recitals:

**WHEREAS**, Tenant and Franchisor are parties to that certain Franchise Agreement (**“Franchise Agreement”**) pursuant to which Franchisor has granted Tenant a franchise and license to operate a Salty Dawg Pet Salon franchised business (**“Franchised Business”**) under service marks and/or other proprietary marks Franchisor may designate for use (collectively, the **“Proprietary Marks”**) using the distinctive business methods, uniform operating systems, and trademarks that Franchisor now or hereafter requires to identify, advertise, or promote its proprietary franchise business and system (**“Franchise System”**);

**WHEREAS**, the Franchise Agreement requires Tenant to obtain Franchisor’s prior written approval of the location for Tenant’s Franchised Business (**“Approved Location”**) before entering into a lease with the owner or master tenant of the Approved Location (**“Lease”**);

**WHEREAS**, one of the factors that Franchisor considers in approving a location for Tenant’s Franchised Business is the agreement of the owner or master tenant of the Approved Location to incorporate certain provisions as part of the Lease to protect Franchisor’s interests and give Franchisor specific rights as a third party beneficiary;

**WHEREAS**, Franchisor has approved the Premises as the Approved Locations of Tenant’s Franchised Business subject to the parties entering into this Addendum to the Lease of the Premises. Landlord and Tenant are willing to amend the Lease in order to add the specific provisions which Franchisor requires as a condition to approving Tenant’s request to locate its Franchised Business at the Premises;

**NOW, THEREFORE**, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. Effect of Addendum. Tenant and Landlord agree that this Addendum is made a part of that certain Lease for the Premises which they have entered into on the date shown above and attach a copy of the Lease to this Addendum as Schedule 1. Tenant and Landlord agree that, in the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. The parties agree that all defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease. The parties further agree that Franchisor's signature below signifies its agreement to the terms and conditions of this Addendum but does not create or impose any obligations upon Franchisor under the Lease or make Franchisor a named party to the Lease. The parties expressly recognize that Franchisor is a third party beneficiary of the Lease with the rights created by this Addendum.

B. Assignment of Lease. Tenant irrevocably assigns and transfers to Franchisor all of Tenant's right, title, and interest in and to the Lease and all options contained therein. This assignment may not be revoked without the prior written consent of Franchisor. The parties acknowledge that, until Franchisor accepts the assignment made by Tenant, which acceptance shall be indicated by Franchisor delivering a written notice of acceptance of assignment in accordance with this Addendum, Franchisor has no obligations, liabilities, or responsibilities under the Lease of any kind, including, without limitation, as a guarantor or indemnitor of Tenant's obligations to Landlord. Tenant represents that, before the Effective Date, it has not entered into an agreement to assign its right, title, and interest in and to the Lease to any other person.

C. Use of Property. During the term of the Lease, Tenant shall use the Premises solely for the operation of a Franchised Business in accordance with the requirements of the Franchise Agreement, unless Tenant and Landlord obtain Franchisor's prior written consent to another use.

D. Franchisor's Right of Entry. Franchisor may enter the Premises at any time to inspect Tenant's operations and engage in all activities expressly permitted by the Franchise Agreement.

E. Notices to Franchisor. Landlord shall serve Franchisor with a copy of any notice of default, breach, or termination of Lease at the same time that Landlord serves Tenant with such notice.

F. Default by Tenant; Franchisor Opportunity to Cure. Landlord agrees not to terminate the Lease based on Tenant's breach or default of any provision of the Lease unless and until Landlord gives Franchisor written notice identifying the breach or default and allows Franchisor an opportunity to cure the breach or default, which cure period shall be no less than the length of the cure period extended to Tenant plus an additional ten (10) days (with a minimum cure period extended to Franchisor of at least 30 days total). To avoid uncertainty over the length of Franchisor's cure period, Landlord shall identify Franchisor's cure period when Landlord gives Franchisor written notice of the breach or default. Landlord shall not terminate the Lease before Franchisor's cure period expires. If Franchisor fails or refuses to cure the breach or default by the

end of Franchisor's cure period, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy against Franchisor.

G. Acceptance of Assignment by Franchisor. Subject to complying with the requirements of this Section, Franchisor may accept the assignment of the Lease by giving written notice of acceptance to Landlord at any time before the Lease terminates or expires if: (i) Franchisor terminates the Franchise Agreement for any reason; (ii) Tenant loses the right to occupy the Premises due to Tenant's breach or default or for any other reason except the expiration of the Lease or condemnation or destruction of the Premises on the terms stated in the Lease. If Franchisor accepts the assignment by giving timely written notice to both Franchisee and Landlord, the parties agree that from and after the date of Franchisor's written notice of acceptance: (i) Franchisor shall have all of the rights of Tenant under the Lease; (ii) Franchisor shall have the right to assign or sublet all of any part of its interest in the Lease or in the Premises to another Franchised Business owner without Landlord's prior consent; and (iii) Franchisor shall be liable to perform only the obligations of Tenant under the Lease arising from and after the date of Franchisor's acceptance of the assignment and shall have no liability for obligations arising before Franchisor's acceptance of the assignment (except for the duty to cure any defaults committed by Tenant which are outstanding on the date of Franchisor's notice of acceptance of assignment). Any options to extend the term of the Lease shall automatically transfer to Franchisor as an assignee of Tenant's rights under the Lease. If Franchisor accepts an assignment of the Lease, the parties shall thereafter cooperate and work together to achieve an orderly transition of Tenant's leasehold interest to Franchisor with minimal disruption to the service of customers of the Franchised Business.

H. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Franchisor, Landlord agrees not to accept Tenant's voluntary surrender of the Lease without giving Franchisor prior written notice and a period of no less than ten (10) days in which to accept an assignment of the Lease pursuant to the requirements of this Addendum. Additionally, Landlord agrees not to amend the Lease without Franchisor's prior written consent.

I. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or four (4) days after being sent by certified or registered mail, return receipt requested, if addressed as follows:

Franchisor: Salty Dawg, LLC  
Attn: Sally Facinelli  
780 Lynnhaven Pkwy, Ste. 240,  
Virginia Beach, VA 23452

Landlord:

Tenant:

Any party may change its address for receiving notices by appropriate written notice to the other.

J. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity who is not a party to this Addendum. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Franchisor, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party

**IN WITNESS WHEREOF**, this Addendum is made and entered into by the undersigned parties as of the Effective Date.

	<b>Landlord</b>	<b>Tenant (Franchisee)</b>
Signature		
Name		
Date		

	<b>Purely Pet LLC (Franchisor)</b>
Signature	
Name	
Date	

**EXHIBIT F-7B**

**COLLATERAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned (“**Assignor**”) hereby assigns and transfers to Purely Pet LLC, a Virginia limited liability company, with its principal place of business address at 780 Lynnhaven Pkwy, Ste. 240, Virginia Beach, VA 23452 (“**Assignee**”), all of Assignor’s right, title, and interest as tenant in, to, and under that certain lease, a copy of which is attached hereto as Schedule 1 (“**Lease**”) respecting premises commonly known as \_\_\_\_\_ (“**Premises**”).

This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only, and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or Lease unless: (i) Assignee provides express, written notice to both Assignor and the landlord of the Premises under the Lease that Assignee is assuming all of Assignor’s rights, title, and interest under the Lease pursuant to this Assignment; and (ii) Assignee takes possession of the Premises demised by the Lease pursuant to the terms hereof, and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Franchised Business between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement or this Assignment, Assignee has the right, and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title, or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than 120 days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place, and stead of Assignor for the purpose of effecting such extension or renewal.

*(Signatures on following page)*

	<b>ASSIGNOR</b>
Signature	
Name	
Date	

State of \_\_\_\_\_  
City of \_\_\_\_\_

The Assignor, \_\_\_\_\_, being first duly sworn, says that s/he is the \_\_\_\_\_ of \_\_\_\_\_, and executes this instrument for and on its behalf, by authority of its board of directors; that s/he has read the foregoing Assignment and states that the contents are true to the best of his/her knowledge and belief.

Subscribed and sworn to before me on this \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

**EXHIBIT F-7C**

**CONSENT AND AGREEMENT OF LESSOR**

The undersigned Lessor under the aforementioned Lease with respect to the Premises does hereby:

(a) agree to notify Assignee in writing of, and upon the failure of, Assignor to cure any default by Assignor under the Lease;

(b) agree that Assignee has the right, but must not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with paragraph (a) above;

(c) consents to the foregoing Collateral Assignment of Lease and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor in writing the assumption of the Lease by Assignee as tenant thereunder, Lessor must recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;

(d) agree that Assignee will not have any obligations under the Lease or otherwise with respect to the Premises unless Assignee undertakes those actions outlined in the immediately preceding paragraph and in the Lease Addendum that are necessary for Assignee to expressly assume Assignor's obligations under the Lease; and

(e) agrees that Assignee may further assign the Lease to a person, firm, or corporation who must agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor, and upon such assignment, Assignee will have no further liability or obligation under the Lease as Assignee, tenant, or otherwise.

	<b>ASSIGNOR</b>
Signature	
Name	
Date	

**EXHIBIT G**

**SALTY DAWG, LLC**

**GUIDE  
TABLE OF CONTENTS**

**Salty Dawg Pet Salon Guide Table of Contents and Total Page Number Expectations:**

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**Guide One:**

RESOURCE GUIDE- 48 pages (currently)

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**Guide Two:**

VISION, CULTURE, AND LEADERSHIP- 50 page (currently)

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**Guide Three:**

MARKETING- 28 page (currently)

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**Guide Four:**

SERVICE, SALES, AND GUEST MANAGEMENT- 155 page (currently)

---

**Guide Five:**

OPERATING THE BUSINESS- 40 page (currently)

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**Guide Six:**

HIRING, JOB DESCRIPTIONS, AND INSURANCE- 62 page (currently)

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**Guide Seven:**

CONDITIONS, TRANSFER, TERMINATION, AND EXPANSION- 13 page (currently)

Total pages: 396

**EXHIBIT H-1**  
**LIST OF FRANCHISEES**

The following is a list of the names of all franchisees and the addresses and telephones numbers of their outlets as of the end of our last fiscal year, December 31, 2023.

NONE

Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2023):

<b>Name</b>	<b>Address</b>	<b>Phone</b>
Noah Hatcher*	1734 Anglers Plaza Grapevine, TX 76051	785-307-2581
Greg and Avery Thomas**	2250 Marietta Blvd Ste 216 Atlanta, GA 30318	(678) 732-9107

\*this location signed a franchise agreement in 2023 with our Predecessor and was assigned to us.

\*\*this location was operated as a company owned location by an affiliate of our Predecessor until it was sold to a franchisee in 2024.

[Remainder of Page Left Intentionally Blank]

**EXHIBIT H-1**  
**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 franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise 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. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Name	Address	Phone
Tiffany Ferrill and Gabriel Naranjo*	2250 Marietta Blvd, Suite 216, Atlanta, GA 30318	678-732-9107
Wissam Rafidia**	N/A	312-493-3343
Ron Stickney***	3492 S Market Street Redding, CA 96001	530-515-1958
Sundeep Chahal***	Address TBD Walnut Creek, CA	925-708-0762
Tyler Kanski and Dafne Fuentes ***	9615 Spring Green Blvd, Suite 500, Katy, TX 77494	346-257-2812

\*this location was acquired by our Predecessor in 2023 and later sold to Greg and Avery Thomas.

\*\*this location was a former franchisee of our Predecessor.

\*\*\*these locations were Excluded Outlets (See Item 1).

[Remainder of Page Left Intentionally Blank]

**EXHIBIT I**

**STATEMENT OF FRANCHISEE**

## STATEMENT OF FRANCHISEE

In order to make sure that no misunderstanding exists between you, the Franchisee, and us, Salty Dawg, LLC (also called “**Salty Dawg**”, the “**Franchisor**” or “**we**”), and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document.

**If you are a franchisee in any of the following states, please do not answer Questions B.1 – 4., as such questions are not applicable to you: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin.**

**Do not sign this Questionnaire if you are a resident of the states of California, Maryland or Washington or your business will be operated in the states of California, Maryland or Washington.**

You assure us as follows:

A. The following dates are true and correct:

- |    | Date  | Initials |  |
|----|-------|----------|--|
| 1. | _____ | _____    | The date on which I received a Franchise Disclosure Document regarding the Salty Dawg Pet Salon Business.                                  |
| 2. | _____ | _____    | The date of my first face-to-face meeting with Marketing Representative to discuss a possible purchase of a Salty Dawg Pet Salon Business. |
| 3. | _____ | _____    | The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed.                     |
| 4. | _____ | _____    | The date on which I signed the Franchise Agreement.  |
| 5. | _____ | _____    | The earliest date on which I delivered cash, check or other consideration to the Marketing Representative or an officer of Franchisor.     |

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, “side agreements,” options, rights-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or

protected territory or otherwise), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or an attached written Addendum signed by me and Salty Dawg, except as follows:

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(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, “side agreements” or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of Salty Dawg, were made to me by any person or entity, nor have I relied in any way on same, except as follows:

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(If none, you should write NONE in your own handwriting and initial.)

3. No oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise) which stated or suggested a specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from the Salty Dawg Pet Salon Business was made to me by any person or entity, nor have I relied in any way on same, except as follows:

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(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or any attached written addendum signed by me and Salty Dawg:

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(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of such individuals has reviewed the Franchise

Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and Salty Dawgs has strongly recommended that I obtain such independent advice. I have also been strongly advised by Salty Dawgs to discuss my proposed purchase of Salty Dawg Pet Salon Business with any existing Salty Dawgs franchisees prior to signing any binding documents or paying any sums and Salty Dawgs has supplied me with a list of all existing franchisees if any exist.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform Salty Dawg (Phone: (888) 412-7224) and our president.

You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish any oral or written information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or information from which such items might be ascertained), from franchise or non-franchised units, that no such results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

<b>Prospective Franchisee:</b>	<b>Marketing Representative:</b>

<b>Reviewed by Franchisor:</b>
By:
Its:
Date:

**\*This Statement of Franchisee does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.**

**EXHIBIT J**

**State Effective Dates & Receipt**

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>STATE</b>	<b>EFFECTIVE DATE</b>
CALIFORNIA	Pending Post-Effective Amendment
HAWAII	Not Registered
ILLINOIS	Pending Post-Effective Amendment
INDIANA	Not Registered
MARYLAND	Pending Post-Effective Amendment
MICHIGAN	December 21, 2023
MINNESOTA	Not Registered
NEW YORK	Not Registered
NORTH DAKOTA	Not Registered
RHODE ISLAND	Not Registered
SOUTH DAKOTA	Not Registered
VIRGINIA	Pending Post-Effective Amendment
WASHINGTON	Pending Post-Effective Amendment
WISCONSIN	Not Registered

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.

**RECEIPT**  
**(Retain This Copy)**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Purely Pet LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa or Rhode Island law, if applicable, Purely Pet LLC must provide this Disclosure Document to you at your first personal meeting to discuss the franchise. Michigan requires Purely Pet LLC to give you this Disclosure Document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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, D.C. 20580, and the appropriate state agency identified on **Exhibit D**.

The franchisor, Purely Pet LLC d/b/a Salty Dawg is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Its telephone number is (888) 412-7224.

Issuance date: December 21, 2023, as amended August 19, 2024

The franchise seller for this offering is:

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
<input checked="" type="checkbox"/> Sally Facinelli , 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (888) 412-7224
<input checked="" type="checkbox"/> John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input checked="" type="checkbox"/> Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> _____ Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> _____ Purely Pet LLC, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (832) 660-6727

I received a Disclosure Document issued December 21, 2023, as amended August 19, 2024, which included the following exhibits:

- Exhibit A Financial Statements
- Exhibit B Franchise Agreement
- Exhibit C Multi-Unit Option Agreement
- Exhibit D List of State Administrators/Agents for Service of Process
- Exhibit E State Addenda and Agreement Riders
- Exhibit F Contracts for use with the Franchised Business
- Exhibit G Guide Table of Contents
- Exhibit H List of Current and Former Franchisees
- Exhibit I Statement of Franchisee
- Exhibit J State Effective Dates and Receipt

Please date, sign and keep this copy of the receipt for your records.

Signature \_\_\_\_\_ Name \_\_\_\_\_

Date \_\_\_\_\_

**RECEIPT**  
**(Our Copy)**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Purely Pet LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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- Exhibit I Statement of Franchisee
- Exhibit J State Effective Dates and Receipt

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.**