

FRANCHISE DISCLOSURE DOCUMENT



Hounds Town USA, LLC
a Florida limited liability company
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Hounds Town USA businesses operate interactive dog care facilities offering daycare services, dog boarding services, grooming, and other related services and products (“Hounds Town USA Business(es)”).

The total investment necessary to begin operation of a Hounds Town USA Business (“Single Franchise”) is between \$542,126,475,875 and \$1,058,825,278,489. This includes \$112,427,975,506 to \$128,926,103,224 that must be paid to the franchisor or its affiliates. The total initial investment necessary to begin operation of two Hounds Town USA Businesses (“Multi-2 Franchise”) is between \$938,750 and \$2,543,978. This includes \$182,012 to \$193,448 that must be paid to the franchisor or its affiliate(s). The total initial investment necessary to begin operation of three Hounds Town USA Businesses (“Multi-3 Franchise”) is between \$1,598,378,399,625 and \$3,148,475,807,467. This includes \$242,427,264,518 to \$258,926,281,672 that must be paid to the franchisor or its affiliate(s).

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 ~~Jackie Bondanza~~ Rob Flanagan at 603150 E. Robinson St., Unit 2008, Orlando, FL 32801 ~~jackie S. Public Road, #75, Lafayette, CO 80026,~~ rob@houndstownusa.com; or 631-873-9486/20-339-0742.

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

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

Issuance Date: April 20, 2024~~30, 2025~~



How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	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 D.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Hounds Town USA business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Hounds Town USA franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.



What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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



Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. 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 Florida than in your own state.
2. **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.
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. **Mandatory Minimum Payments**. You must make minimum advertising and other payments, regardless of sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
5. **Unopened Franchises**. The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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.



**NOTICE REQUIRED BY
STATE OF MICHIGAN**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (i) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its terms except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.



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

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

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

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

The fact there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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



TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
ITEM 1	THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES..... 1
ITEM 2	BUSINESS EXPERIENCE 2
ITEM 3	LITIGATION 4
ITEM 4	BANKRUPTCY 4
ITEM 5	INITIAL FEES 5
ITEM 6	OTHER FEES..... 7
ITEM 7	ESTIMATED INITIAL INVESTMENT..... 15
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES 23
ITEM 9	FRANCHISEE’S OBLIGATIONS 26
ITEM 10	FINANCING 27
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING 27
ITEM 12	TERRITORY 41
ITEM 13	TRADEMARKS..... 43
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION..... 45
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS 46
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL 47
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION..... 48
ITEM 18	PUBLIC FIGURES 51
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS 51
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION 81
ITEM 21	FINANCIAL STATEMENTS..... 87
ITEM 22	CONTRACTS..... 87
ITEM 23	RECEIPT 87

EXHIBITS:

Exhibit A	List of State Administrators/Agents for Service of Process
Exhibit B	Financial Statements
Exhibit C	Franchise Agreement
Exhibit D	List of Current and Former Franchisees
Exhibit E	State Addenda and Agreement Riders
Exhibit F	Franchise Brand Standards Manual Table of Contents
Exhibit G	Contracts for use with the Hounds Town USA Franchise
Exhibit H	Franchise Disclosure Questionnaire
Exhibit I	State Effective Dates
Exhibit J	Receipt



ITEM 1
THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “HT USA,” and “we,” “us,” or “our” means Hounds Town USA, LLC, the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from HT USA.

The Franchisor

HT USA was organized as Hounds Town, Inc., a New York corporation on October 30, 2007. On March 28, 2022, it merged with and into its fully owned subsidiary Hounds Town USA, LLC, a Florida limited liability company. We operate under the names Hounds Town USA, LLC, Hounds Town USA, and no other name. Our principal business address is 150 E. Robinson St., Unit 2008, Orlando, Florida 32801. We offer franchises (“Hounds Town USA Franchise(s)” or “Franchise(s)”) for Hounds Town USA Businesses and have done so since August 2008. We have not and do not conduct business under any other name or in any other line of business, and we have not and do not offer franchises in any other line of business. We do not conduct any other business other than franchising Hounds Town USA Businesses. We have no predecessor or parent entities.

Our affiliate, Three Village K9 Kamp Inc. (“Three Village”), currently operates one Hounds Town USA Business and has done so since 2004. Our affiliate, Bite Me Enterprises, Inc. (“Bite Me”) is the manufacturer of the patent pending fencing containment product, Shadow Stopper Package. Franchisees will purchase Shadow Stoppers directly from HT USA who purchases them from Bite Me. None of our affiliates offer or have offered franchises in this or any line of business.

Our agent for service of process in Florida is CT Corporation System, 1200 South Pine Island Rd., Plantation, FL 33324. Our agents for service of process for other states are identified by state in Exhibit A.

The Franchise

Hounds Town USA Businesses are operated under our proprietary Hounds Town USA system (“System”) using Hounds Town USA’s trademarks, trade names, service marks, and logos (“Marks”) from an approved location (“Facility”). The System may be changed or modified by us throughout your ownership of the Franchise. Hounds Town USA Businesses operate interactive dog care facilities offering to the general public daycare services, dog boarding services, grooming, and assorted other services and products that are common in the pet industry. You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit C (“Franchise Agreement”). You may operate one Hounds Town USA Business for each Franchise Agreement you sign.

We offer ~~two~~three different franchise packages depending on the number of Hounds Town USA Businesses you wish to purchase: a single Hounds Town USA Business, a Multi-2 Franchise, or a Multi-3 Franchise. If you purchase a Multi-2 or a Multi-3 Franchise, you will sign the “Multi-Franchise Addendum” attached to this Disclosure Document in Exhibit G and the Hounds Town USA Franchise Agreement attached to this Disclosure Document. If you sign a Multi-Franchise Addendum you will receive a non-exclusive search area but will not receive any territorial rights or exclusivity. There will be a development schedule under which you must open each additional Hounds Town USA Business within 18 months of the initial Hounds Town USA Business or the Multi-Franchise Addendum will be terminated and you will have no development rights. Prior to opening each additional Hounds Town USA Business under the Multi-Franchise



Addendum, you must sign the then-current Hounds Town USA Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

The Multi-Franchise Addendum supplements the terms of the Franchise Agreement in relation to the opening of additional Hounds Town USA franchises. You are not granted any territorial rights or any other rights except those granted under the Franchise Agreements for the additional Hounds Town USA Businesses.

Market and Competition

Hounds Town USA Business services are not seasonal in nature. The market for the goods and services offered by Hounds Town USA Businesses is well developed and highly competitive. Hounds Town USA Businesses compete with other businesses including local, independently owned dog day care and overnight boarding services, retail pet supply stores, groomers, dog walkers or similar operations and other regional and national chains offering similar products and services for dogs.

Industry-Specific Laws

You are required to comply with all applicable Occupational Safety and Health Administration and environmental protection laws. You must obtain all necessary permits, licenses, and approvals to operate your Hounds Town USA Business. You must comply with federal, state, and local laws dealing with zoning, kennel and pet sitting licensing laws, noise ordinances, bonding requirements, sanitation and the disposal of hazardous materials due to the presence of pets. You may need to obtain a zoning variance or similar entitlement when you obtain a site for your Hounds Town USA Business. You must comply with all local, state, and federal laws and regulations that apply to any business, including laws and regulations that may apply to animal care, pet food products, and if you offer any delivery services, also to motor vehicles.

Many states and local jurisdictions have enacted laws, rules, regulations, and ordinances which may apply to the operation of your Hounds Town USA 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 your Hounds Town USA 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; and (e) set standards and requirements for fire safety and general emergency preparedness.

ITEM 2 BUSINESS EXPERIENCE

Michael Gould: Founder

Mr. Gould has been our Founder since our inception in October 2007 in Orlando, Florida and Ronkonkoma, New York. Previously, Mr. Gould served as our Chief Executive Officer from October 2007 until April 2021 in Ronkonkoma, New York. Mr. Gould also serves as Chief Executive Officer of our affiliate, Three Village, in Ronkonkoma, New York and has done so since October 2004. He also served as Chief Executive Officer of our affiliate, Hounds Town NJ, in Galloway, New Jersey, from July 2018 until the business was sold in September 2021.

Jackie Bondanza: Founder

Ms. Bondanza is our Founder and has been since June 2013 in Orlando, Florida and Ronkonkoma, New York. Previously, she served as our Chief Executive Officer from -April 2021 to December 2023 -in



Orlando, Florida and Ronkonkoma, New York. Previously, she served as President since September 2017 in Ronkonkoma, New York. Ms. Bondanza also serves as the General Operations Manager of Three Village in Ronkonkoma, New York since July 2014. She was also the General Operations Manager of Hounds Town NJ in Galloway, New Jersey from July 2018 to September 2021 when the business was sold. Ms. Bondanza has also been a free-lance writer and editor since January 2007 for HarperCollins, Barnes & Noble, Quarto Publishing and Sterling Publishing, all headquartered in New York, New York.

Robert Flanagan: Chief Executive Officer

Mr. Flanagan has been our Chief Executive Officer since December 2023 in Lafayette, Colorado. Previously, he served as our President from December 2021 to December 2023 in Lafayette, Colorado. Previously, he served as our Chief Operating Officer in Lafayette, Colorado, from April 2021 to November 2021. Previously, Mr. Flanagan served as the President of Wag N' Wash Natural Pet Food & Grooming from May of 2017 to April of 2021 in Centennial, Colorado.

David Martinelli: JD Prager: Vice President of Real Estate and Construction

—Mr. Martinelli Prager has been our Vice President since December 2023 of Real Estate and Construction in Denver, Colorado since December 2022. Mr. Prager has also served as our Chief Relationship Operating Officer from January 2023 to December 2023 in of redC Business Advocacy, LLC in Denver, Colorado. Previously, he served as our since June 2022. He was previously Vice President of Real Estate and Construction at WellBiz Brands, Inc. Marketing from January 2022 to December 2022. Prior to this, Mr. Martinelli served as Vice President of Marketing for Pet Releaf LLC in Littleton, Colorado from August 2020 to January 2022. From January 2020 to July 2020, Mr. Martinelli was a Consultant with D Squared Peak Management, LLC in Denver, Colorado, from June 2021 to June 2022. Prior to that, Mr. Martinelli Prager was the Senior Director of Global Integrated Marketing for Croes from June 2019 to December 2019 in Niwot, Colorado. From August 2016 to July 2019 Mr. Martinelli was the Vice President of Marketing for Smashburger Real Estate and Construction at WellBiz Brands, Inc. in Denver, Colorado from January 2015 to June 2021.

Jeanna Novy: Vice President of Finance

Mrs. Novy has been our Vice President of Finance in Lafayette, Colorado since December 2021. Previously, she was the Controller for Factor Design Build in Denver, Colorado from November 2020 to November 2021. Prior to this, Mrs. Novy worked for Finished Basement Company in Denver, Colorado as Chief Financial Officer from January 2019 to November 2020, and as their Controller from August 2017 until January 2019.

Scott Lanni: Vice President of Franchise Operations

Mr. Lanni has been our Vice President of Operations in Knoxville, Tennessee since January 2023. Previously, he served as our Senior Director of Franchise Operations in Knoxville, Tennessee from January 2022 to December 2022. Prior to this, he was Franchise Marketing Manager at Ultra Pool Care Squad in Knoxville, Tennessee from October 2020 to December 2021. Mr. Lanni served as Brand Manager and then Director of International Operations at Doc Popcorn in Boulder, Colorado from April 2018 to June 2020. Mr. Lanni was unemployed from June 2020 to October 2020.

Amanda Moore: Vice President of Marketing

Ms. Moore has been our Vice President of Marketing in Castle Rock, Colorado since March 2023. Previously, she served as our Senior Director of Marketing in Castle Rock, Colorado from September 2022 to February 2023. Prior to this, Ms. Moore served as Director of Marketing for Wag N' Wash Natural Pet Food



& Grooming from June 2020 to August 2022 in Castle Rock, Colorado. From October 2019 to May 2020, she served as the Senior Marketing Manager for Wag N' Wash Natural Pet Food & Grooming in Castle Rock, Colorado. ~~Prior to this, Ms. Moore was the Marketing Manager for Homewatch CareGivers from August 2016 to October 2019 in Denver, Colorado.~~

Ashly Loza: Senior Vice President of Strategic Franchise Expansion

Ms. Loza has been our Senior Vice President of Strategic Franchise Expansion in Charlotte, North Carolina since October 2024. Ms. Loza has also served as the Co-Founder and Integrator for Blue Maven in Charlotte, North Carolina since June 2022. Previously, she served as the Vice President of Operations at FranDevCo. LLC in Huntersville, North Carolina from November 2019 to May 2022. From June 2016 to November 2019, she was the Director of Brand Development at Raintree Franchise Growth in Denver, Colorado.

ITEM 3 LITIGATION

Bigelow Corporation and Sarah Bigelow v. Hounds Town USA, LLC
CASE NO. 3:2023ev00134, US District Court for the Western District of North Carolina

~~On January 20, 2023, Plaintiffs Bigelow Corporation, a North Carolina corporation and Sarah Bigelow, an individual residing in Mecklenburg County, North Carolina (collectively, the "Plaintiffs") filed a complaint against HT USA in the County of Union, North Carolina. HT USA removed the matter to the United States District Court for the Western District of North Carolina on March 1, 2023. Plaintiffs operated a Hounds Town USA franchised business which was abandoned and closed and were subsequently terminated by HT USA. In their complaint, Plaintiffs alleged that HT USA breached the franchise agreement by failing to adequately assist the Plaintiffs in the buildout of their Hounds Town USA business. Plaintiffs further alleged that HT USA recommended a contractor to assist with the buildout even though the contractor was unqualified. On March 23, 2023, Plaintiffs amended the complaint to allege claims against one of the contractors they used for the buildout. The claims against HT USA did not change. The case against HT USA was dismissed with prejudice on August 2, 2023.~~

~~Other than this action, no~~No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.



**ITEM 5
INITIAL FEES**

Initial Franchise Fee

We offer ~~two~~three different Franchise packages depending on the number of Hounds Town USA Businesses you wish to purchase:

Franchise Type	Number of Hounds Town USA Businesses	<u>“Initial Franchise Fee”</u>
Single	1	\$49,000
<u>Multi-2</u>	<u>2</u>	<u>\$88,000</u>
Multi-3	Up to 3	\$125,000

If you purchase a Multi-2 or Multi-3 Franchise, you will sign the Multi-Franchise Addendum and you must open the Hounds Town USA Businesses in accordance with the schedule for development under the Multi-Franchise Addendum. To open additional Hounds Town USA Businesses under a Multi-2 or Multi-3 Franchise, you will be required to sign the then-current Hounds Town USA Business franchise agreement, but you will not be required to pay an Initial Franchise Fee (all other fees will apply) and the Royalty will not exceed 6% of Gross Sales. The Initial Franchise Fee is payment for all of our pre-opening assistance that we provide to allow you to open your Hounds Town USA Business ~~and also offsets some of our franchisee recruitment expenses.~~ The Initial Franchise Fee is uniform, payable when you sign your Franchise Agreement and is non-refundable, even if you fail to open any Hounds Town USA Businesses. In our last fiscal year ending December 31, ~~2023~~2024, we collected Initial Franchise Fees ranging from \$44,100 for a single franchise with ~~the~~ a military discount and ~~\$125,000~~112,500 for a Multi-3 franchise with a military discount.

Active-duty military and honorably discharged veterans of the United States armed forces receive a 10% discount on ~~our~~the Initial Franchise Fee for a ~~Single Franchise~~the first Hounds Town USA Business.

Launch Fee

In addition to the Initial Franchise Fee, you must pay us a “Launch Fee” as listed in the chart below.

Hounds Town USA Business(es) Being Developed	Launch Fee
1 st	\$30,000
2 nd and each additional	The Launch Fee will be discounted by 10% from our then-current fee. <u>This applies if you purchase multiple units or if you decide to purchase an additional single unit in the future. This fee is due when you sign the lease for the applicable additional unit.</u>

The Launch Fee offsets our costs in supporting your efforts to open the Hounds Town USA Business, design approval and vetting of construction professionals, and in any advertising initiatives we provide in your market. The Launch Fee also includes our travel expenses if we travel to your Hounds Town USA



Business to assist in site selection. The Launch Fee is uniform, is non-refundable and is due to us when you sign the Franchise Agreement.

Initial Training Fee for Additional Person(s)/Extended Training

Your Launch Fee includes tuition for up to two people to attend our initial training program and our immersion training program (provided they each attend at the same time). If you desire to send more than two people, you must pay us a fee of \$1,500 per person, per trip (you are responsible for the cost of travel, lodging, meals, and personal expenses for the additional person(s)). We may extend any portion of the initial training program and immersion training program that you do not successfully complete and you will pay a fee of \$500 plus any additional costs and expenses you or your attendees incur. If you do not send additional people to attend the initial training program, and if you do not require extended training, there is no required fee. These fees are uniform for all franchisees, non-refundable under any circumstances and are due prior to the initial training session for additional persons and due upon invoice for extended training.

Pre-Opening Marketing Package

You are required to purchase a “Pre-Opening Marketing Package” from us for \$15,000 when you sign the Franchise Agreement. This fee covers the costs of digital and traditional marketing that we manage prior to the opening of your Hounds Town USA Business. This payment is uniform and non-refundable under any circumstances.

Shadow Stopper Package

You are required to purchase Shadow Stoppers from us before your Hounds Town USA Business opens (generally when your permits are signed). The price will be between \$500 and \$3,000 depending on the size of the play room in your Hounds Town USA Business. This payment is uniform and non-refundable under any circumstances.

Microsite and Social Media Setup Fee

You must pay us a one-time fee of \$300 to set up your microsite and social media accounts (“Microsite and Social Media Setup Fee”). This fee is uniform, due when you sign the lease for your Hounds Town USA Business and is non-refundable under any circumstances.

Technology Fee

You must pay us a technology fee (“Technology Fee”). This fee covers certain technologies used in the operation of your Hounds Town USA Business. Beginning when you sign the Franchise Agreement until you sign a lease, you will pay us a monthly Technology Fee of \$4595 for one user or \$56106 for two users for a Microsoft Business Basic License (“Basic License”) and access to our Project Management Software. If you opt for the Microsoft Business Standard license, which provides access to the desktop version of the Microsoft Office Suite, (“Standard License”), you will pay us a monthly Technology Fee of \$56106 for one user or \$78128 for two users. ~~When~~After you sign a lease, your Hounds Town USA Business opens, ~~the~~monthly Technology Fee will increase to \$150 per month106 for one user, or \$160 per month116 for two users withfor a Microsoft Basic License. ~~It will be \$161 and \$117 for one Standard Licenseuser and \$183138 for two standard licensesusers for a Standard License.~~ Depending on the type of license you select, the number of users you will have and the time it takes to sign a lease and open your Hounds Town USA



Business, we estimate you will pay us between \$1,206 and \$2,424 in Technology Fee payments before opening your Hounds Town USA Business. Our estimates assume you sign a lease within six months and open within 12 months of signing the Franchise Agreement for the low estimate, and assume you sign a lease within six months and open within 18 months of signing the Franchise Agreement for the high estimate. This fee is uniform and is non-refundable under any circumstances.

Annual Reunion Fee

You must pay us our then-current “Annual Reunion Deposit Fee” (currently \$125 per month) which shall be credited towards our then-current total annual reunion fee. You will pay the Annual Reunion Deposit Fee until you reach our pre-determined annual reunion fee amount (currently \$1,500) (“Annual Reunion Fee”). If the Annual Reunion Fee is more than \$1,500, or your deposits do not reach the total amount by the annual reunion fee due date (typically four months prior to the annual reunion), you will owe the difference at that time. We estimate you will pay \$1,500 in Annual Reunion Deposit Fees before you open your Hounds Town USA Business. This fee is uniformly imposed and non-refundable and due beginning when you sign the Franchise Agreement.

Franchise Fee Deferral

Some states have imposed a franchise fee deferral. Please refer to the State Addendum in Exhibit E to the Franchise Disclosure Document.

ITEM 6 OTHER FEES

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty ⁽²⁾	6% of Gross Sales	Due on the 10 th day of month. If the 10 th of any month is not a business day, the Royalty is due on the next business day.	The “ <u>Royalty</u> ” is based on “ <u>Gross Sales</u> ” (as defined in note 2 below) during the previous month. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance.
Brand Fund Contribution	2% of Gross Sales	Same as Royalty	This contribution will be used for a system-wide “ <u>Brand Fund</u> ” for our use in promoting and building the Hounds Town USA brand. This fee can be changed to a maximum of 3% of Gross Sales on 30 days written notice. See Item 11 for a discussion of the Brand Fund.



Type of Fee ⁽¹⁾	Amount	Due Date	Remarks								
Local Advertising Requirement	<p>The difference between the amount you spent on local advertising each month and your required local advertising expenditure, which is based on number of months you have operated, as follows:</p> <table border="1"> <thead> <tr> <th>Months in Operation</th> <th>Monthly Amount</th> </tr> </thead> <tbody> <tr> <td>4-12</td> <td>\$5,000</td> </tr> <tr> <td>13-36</td> <td>\$4,000</td> </tr> <tr> <td>37+</td> <td>2% of Gross Sales</td> </tr> </tbody> </table>	Months in Operation	Monthly Amount	4-12	\$5,000	13-36	\$4,000	37+	2% of Gross Sales	Payable after receipt of invoice	<p>If you fail to meet your minimum local advertising requirement during any rolling three-month period, we may require you to pay the difference between the amount you spent and the required advertising expenditure, which will be contributed to the Brand Fund. See Item 11 for a discussion of the local advertising requirement. <u>After 37 months of operations, we reserve the right to require you to spend either 2% of Gross Sales or \$3,500, whichever is greater, if your location has six or more months of negative year-over-year sales in a rolling 12-month period.</u></p>
Months in Operation	Monthly Amount										
4-12	\$5,000										
13-36	\$4,000										
37+	2% of Gross Sales										
Advertising Cooperatives ⁽³⁾	Established by cooperative members, between 1% and 2% of Gross Sales	As determined by the cooperative members	<p>We currently do not have a cooperative but reserve the right to require one to be established in the future. Each Hounds Town USA Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. We anticipate that each Hounds Town USA franchisee and each Hounds Town USA Business that we own will have one vote for each Hounds Town USA operated in the designated market. Item 11 contains more information about advertising cooperatives.</p>								
Unauthorized Advertising Fee	\$500 per occurrence	On demand	<p>This fee is payable to the Brand Fund or to Franchisor if you use unauthorized advertising in violation of the terms of the Franchise Agreement.</p>								
Additional Training or Assistance Fees	Then-current fee (currently \$1,500 per additional person for initial training and approximately \$600 750 per attendee per day for additional training)	Payable in advance of the training or assistance	<p>We may charge you for training additional persons, newly-hired personnel, refresher training courses, advanced training courses, and additional or special assistance or training you need or request.</p>								
Additional Opening Assistance	\$500 per day, plus travel and lodging expenses	On demand	<p>If you desire additional opening assistance, we may charge \$500 per day plus all travel and lodging expenses incurred by our staff.</p>								



Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Technology Fee ⁽⁴⁾	Varies <u>based on number of users and license type</u> (currently \$10.50 <u>95</u> to \$210 <u>333</u> per month plus per user fees)	Same as Royalty	<p>You must pay us a technology fee in exchange for access to certain technology and tools we make available to you (“Technology Fee”). The cost for additional users varies depending on the software. Currently, each additional cloud costs \$45 per month and desktop versions of Microsoft Office cost an additional \$56 per user. Once you sign your lease, we will create a store specific email address for you location and the Technology Fee will increase by an additional \$10.50 per month license. The Standard License provides the Desktop versions of Microsoft Office.</p> <p>From the first billing cycle, (after you sign the Franchise Agreement) until you sign a lease, you will pay us at the monthly Technology Fee (currently \$45 between \$95 for one user or \$56 and \$128 for two users), depending on the software license you select). After you sign a lease, you will pay us a monthly fee of \$56 between \$106 for one user or \$66<u>138</u> for two users, depending on the software license you select. When your Hounds Town USA Business opens, the Technology Fee will increase to \$150<u>between \$300</u> per month for one user, or \$160 per month<u>333</u> for two users, depending on the software license you select.</p> <p><u>This fee will not increase by more than a total of \$150 in a calendar year.</u></p>
Local Advertising Management Fee	Varies (currently \$100 <u>125</u> per month)	Same as Royalty	<p>You must pay us a “<u>Local Advertising Management Fee</u>” each month to cover various marketing-related management fees for social and digital media marketing and advertising. We reserve the right to modify and add new vendors and services. You will be responsible for any increase in fees that result from any modifications or additions. <u>We will not increase this fee by more than \$150 dollars in a calendar year. This is in addition to your post-opening marketing obligation and the Local Advertising Requirement.</u></p>



Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Annual Reunion Fee	Then-current fee (currently \$125 per month plus remaining balance)	When <u>Beginning</u> when you sign the Franchise agreement; <u>difference between amount paid and actual cost due</u> approximately 30 days <u>four months</u> before the Annual Reunion <u>annual reunion</u>	This fee will be payable to us to help defray the cost of your attendance at any annual convention <u>reunion</u> that we choose to hold. You will begin to pay the monthly deposits when you sign the Franchise Agreement and will be billed for the any difference between the actual fee and the monthly deposits paid. by the payment deadline. The final balance owed depends on the number of monthly deposit payments made and the final cost of the Annual Reunion <u>annual reunion</u> . <u>The fee will resume the month following the annual reunion.</u> Additional guests may attend the convention <u>annual reunion</u> at our then-current fee. This fee is due regardless of whether or not you attend our annual convention <u>reunion</u> in any given year.
Customer Resolution Fee	Varies; reasonable costs we incur for responding to a customer complaint, which typically will be between \$20 and \$100	On demand	Payable is a customer of franchised business contacts us with a complaint and we provide a gift card, refund, or other value to the customer as part of our addressing the issue.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$500)	As incurred	Payable if we inspect a new product, service or proposed supplier nominated by you.
Replacement of Franchise Brand Standards Manual	\$500	On demand	Payable if your copy of the "Franchise Brand Standards Manual" (defined in Item 8) is lost, stolen, destroyed or significantly damaged.
Payment Service Fee	Up to 4% of total charge	As incurred	If payment is made to us or our affiliates by credit card for any fee required, we may charge a service charge of up to 4% of the total charge.
Late Payment Fee	\$100 per occurrence, plus the lesser of the daily equivalent of 12% per year simple interest or the highest rate allowed by law	As incurred	Payable if any payment due to us or our affiliates is not made by the due date. Interest accrues from the original due date until payment is received in full.
Insufficient Funds Fee	The greater of \$100 per occurrence, or the highest amount allowed by law	As incurred	Payable if any check or electronic payment is not successful due to insufficient funds, stop payment, or any similar event.



Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Failure to Submit Required Report Fee	\$100 per occurrence and \$100 per week	Your bank account will be debited for failure to submit any requested report within five days of request	Payable if you fail to submit any required report or financial statement when due. Fines collected are paid to the Brand Fund or us. You will continue to incur this fee until you submit the required report.
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting and legal fees and expenses	15 days after billing	You will be required to pay this if an audit reveals that you understated weekly Gross Sales by more than 2% or you fail to submit required reports.
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to your Hounds Town USA Business or Franchise.
Management Fee	Commercially reasonable amount – currently \$750 per day, plus costs and expenses	As incurred	Payable if we exercise our rights under the Franchise Agreement to step in and manage your Hounds Town USA Business. We have the right to manage your Hounds Town USA Business in a few circumstances, including if you are in breach of the Franchise Agreement.
Professional Fees and Expenses	Will vary under circumstances	As incurred	You must reimburse us for any legal or accounting fees that we incur as a result of any breach or termination of your Franchise Agreement. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement, or payable for any fees we incur for any transfer that is not completed.
Insurance	Reimbursement of our costs, plus a \$2,500 administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus \$2,500 for an administrative cost of obtaining the insurance.
Relocation Fee	Our costs	Upon relocation	You must reimburse us for our reasonable expenses if we permit you to relocate your Hounds Town USA Business. We will provide you with copies of our invoices for our expenses from any third-party providers upon request.



Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Transfer Fee	50% of the then-current Initial Franchise Fee, plus the costs of training	\$1,000 non-refundable deposit at time of transfer application submittal and the remaining balance of fee at time of the approved transfer	Payable in connection with the transfer of your Hounds Town USA Business, a transfer of ownership of your legal entity, or the Franchise Agreement. If we are not offering Franchises at the time of the transfer, the transfer fee will be 50% of the initial franchise fee listed in the most recent Franchise Disclosure Document.
Successor Franchise Fee	25 50% of the then-current Initial Franchise Fee	At the time you sign the new franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement. If we are not offering Franchises at the time of your renewal, the successor franchise fee will be 25 50% of the initial franchise fee listed in our most recent Franchise Disclosure Document. You (or your managing owner, if you are an entity) and your designated manager must attend and successfully complete initial training, immersion training and any mandatory refresher or additional training courses. You (or your managing owner, if you are an entity) or your designated manager must attend any mandatory seminar, convention or program we may offer and an annual meeting of all franchisees, if we hold an annual meeting of all franchisees.
Successor Launch Fee	Then current Launch Fee (currently \$30,000) <u>Reimbursement of our actual costs incurred in providing renovation and updating support, if required at renewal, plus 10% of costs as an administration charge, up to a maximum of \$30,000</u>	At the time you sign the new franchise agreement	Payable in addition to the successor franchise fee if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement. <u>When you renew your Franchise Agreement, you may be required to update and renovate your Hounds Town USA Business. The We intend that the Successor Launch Fee will cover our actual expenses related to the renewal of your Franchise and associated administrative costs for any related support we will provide at the renewal of your Franchise, including approving new layouts, and support in permitting and bidding, up to a maximum of \$30,000. Payable in addition to the successor franchise fee.</u>



Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Liquidated Damages ⁽⁵⁾	Will vary under the circumstances	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause.
Broker Fees	Our actual cost of the brokerage commissions, finder's fees, or similar charges	As incurred	If you transfer your Hounds Town USA Business to a third party or purchaser, you must reimburse all of our actual costs for commissions, finder's fees and similar charges.
Multi-Franchise Development Agreement Extension Fee	\$1,000 per extension	As incurred	If you desire to extend the deadline(s) to open Hounds Town USA Businesses under a Multi-Franchise Addendum and we agree to extend your rights, you will pay us a fee of \$1,000. Each extension shall be 6 months and we may accept or reject your request for each extension in our sole discretion.

Notes:

1. **Fees.** All fees paid to us or our affiliates are uniform and not 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 authorization (in the form attached to this Franchise Disclosure Document in Exhibit G) for direct debits from your business bank operating account. We have the right to periodically specify (in the Franchise Brand Standards Manual, or otherwise in writing) different payees and/or payment methods, such as, but not limited to, weekly/biweekly/monthly payment, payment by auto-draft, credit card, and payment by check. If you sign a Multi-Franchise Addendum to operate multiple Hounds Town USA Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each Hounds Town USA 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. 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. Also, any fee expressed as a fixed dollar amount is subject to adjustment based on changes to the Consumer Price Index (“CPI”) in the United States. We may periodically review and increase these fees based on changes to the CPI (in addition to any other increase), but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of your Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one CPI-related fee adjustment during any calendar year.
2. The term “Gross Sales” means the total selling price, not including sales taxes, of all products and services sold at, from, or through your Hounds Town USA Business, whether or not sold or performed at or from the Hounds Town USA Business, including the full redemption value of any voucher or coupon sold for use at the Hounds Town USA Business (fees retained by or paid to third-party sellers of such vouchers or coupons are not excluded from this calculation), and including the



proceeds from any business interruption insurance; and all income, revenue and consideration of every other kind and nature related to the Hounds Town USA Business operation, whether for cash or credit, and regardless of collection in the case of credit. We reserve the right to institute policies in the Franchise Brand Standards Manual or otherwise in writing and from time to time, regarding the inclusion in Gross Sales of any pre-paid goods or services (including, without limitation, gift cards and gift certificates) and their delivery and redemption.

3. Local and Regional Advertising Cooperatives. We reserve the right to establish a local or regional advertising cooperative if two or more Hounds Town USA Businesses are operating in a market designated by us. If a local or regional advertising cooperative is established, contribution amounts to the local or regional advertising cooperative will be established by the cooperative members. We anticipate that each Hounds Town USA franchisee will have one vote for each Hounds Town USA Business operated by the member in the designated market. In the event Hounds Town USA Businesses we own outnumber franchisee-owned Hounds Town USA Businesses, the minimum contribution will be 0.5% of your Local Advertising Requirement and the maximum contribution will be 100% of your Local Advertising Requirement. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document.

4. Technology Fee. We will provide you with certain technical services in exchange for your monthly Technology Fee, which may change from time to time based on changes to the technical services we provide and/or our costs to provide these services such as SharePoint, Cloud-based Microsoft Office 365, Microsoft Teams, Learning Management System, Project Management Software and access to our intranet. We reserve the right to license, sublicense, and create software and technology that Hounds Town USA franchisees must pay for and use. We can change the software and technology that must be used by our franchisees at any time, which may result in changes to the Technology Fee. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software or technology or from increases from third-party vendors. We may increase the Technology Fee upon 30 days' notice. We will not increase the fee by more than \$150 dollars in a calendar year. The following table provides more detail on the Technology Fee.

5. Liquidated Damages.

	Basic		Standard	
	One User	Two Users	One User	Two Users
<u>Monthly beginning the Month the Franchise Agreement is Signed</u>	<u>\$95</u>	<u>\$106</u>	<u>\$106</u>	<u>\$128</u>
<u>Monthly Beginning the Month the Lease is Signed</u>	<u>\$106</u>	<u>\$116</u>	<u>\$117</u>	<u>\$138</u>
<u>Month Beginning the Month You Open Your Hounds Town USA Business</u>	<u>\$300</u>	<u>\$310</u>	<u>\$311</u>	<u>\$333</u>

5. Local Advertising Management Fee. We provide you with certain various marketing-related management fees for social and digital media marketing and advertising such as consumer newsletters, website, online listing and social media platforms, and editable marketing asset and printing tools. We reserve the right to change these services that Hounds Town USA franchisees must pay for and use. We can change the services at any time, which may result in changes to the Local Advertising Management Fee. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional services from third-party vendors. We may increase the Local Advertising Management Fee upon 30 days' notice. We will not increase the fee by more than \$150 dollars in a calendar year.



6. Liquidated Damages. Liquidated damages are determined by multiplying the combined average monthly Royalty fees and Brand Fund contributions (without regard to any fee waivers or other reductions) owed by you to us beginning with the date you open your Hounds Town USA Business through the date of early termination, multiplied by the lessor of: (i) 36; or (ii) the number of full months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30100,000.

**ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT**

Franchise Agreement

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽²⁾	\$49,000	\$49,000	Lump Sum	When Franchise Agreement is signed	Us
Launch Fee ⁽³⁾	\$30,000	\$30,000	Lump Sum	When Franchise Agreement is signed	Us
Pre-Opening Marketing Package ⁽⁴⁾	\$15,000	\$15,000	As Incurred	When Franchise Agreement is signed	Us
Annual Reunion Fee ⁽⁵⁾	\$1,875 <u>500</u>	\$2,250 <u>1,500</u>	As Incurred	Monthly beginning when Franchise Agreement is signed	Us
Microsite and Social Media Setup ⁽⁶⁾	\$300	\$300	Lump Sum	When lease is signed	Us
Financial Training Access ⁽⁷⁾	\$300	\$300	Lump Sum	As Incurred	Approved Supplier
Training Expenses ⁽⁸⁾	\$3,000	\$10,000	As Incurred	As Incurred	Us, Providers of Travel, Lodging, and Food Services
Pre-Opening Lease Payments ⁽⁹⁾	\$0	\$50,000	As Incurred	As Incurred	Landlord
Furniture, Fixtures and Equipment ⁽¹⁰⁾	\$30,500	\$50,000	As Incurred	As Incurred	Approved Suppliers, Us
Leasehold Improvements ⁽¹¹⁾	\$ 325,000 <u>258,265</u>	\$ 675,000 <u>880,961</u>	As Incurred	As Incurred	Suppliers
Architect Fees	\$6,500	\$15,000	As Incurred	As Incurred	Suppliers
Site Survey ⁽¹²⁾	\$1,500	\$1,500	As Incurred	As Incurred	Suppliers
Concept Design ⁽¹³⁾	\$2,500	\$2,500	As Incurred	As Incurred	Suppliers
Security and Utility Deposits ⁽¹⁴⁾	\$7,000	\$10,000	As Incurred	As Incurred	Landlord and /or Utility Companies
Opening Inventory ⁽¹⁵⁾	\$500	\$ 52,000	As Incurred	As Incurred	Approved Suppliers
Post-Opening Marketing ⁽¹⁶⁾	\$15,000	\$25,000	As Incurred	As Incurred	<u>Us</u> Approved Suppliers



Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Business Licenses & Permits ⁽¹⁷⁾	\$200	\$2,500	As Incurred	As Incurred	Local and Other State Government Agencies
Logo Gear and Uniforms ⁽¹⁸⁾	\$1,000	\$3,000	As Incurred	As Incurred	Approved Suppliers
Signage ⁽¹⁹⁾	\$3,000	\$12,000	As Incurred	As Incurred	Approved Suppliers
Insurance ⁽²⁰⁾	\$2,100	\$4,000	As Incurred	As Incurred	Suppliers
Computer Hardware ⁽²¹⁾	\$2,500	\$2,500 3,000	As Incurred	As Incurred	Approved Suppliers
POS Setup Fee	\$299	\$299	As Incurred	As Incurred	Approved Suppliers
POS Fee - 3 months	\$900 930	\$900 930	As Incurred	As Incurred	Approved Suppliers
Pre-Opening Technology Fees ⁽²²⁾	\$752 1,206	\$876 2,424	As Incurred	Monthly beginning when Franchise Agreement is signed	Us
Closed-Circuit Camera Systems ^(22,23)	\$10,000	\$20,000	As Incurred	As Incurred	Approved Suppliers
Professional Fees ^(23,24)	\$2,500	\$6,000	As Incurred	As Incurred	Attorneys, CPA's, CPAs and Other Professionals
Vehicle Lease, Signage, Wrap, and Vehicle Insurance ^(24,25)	\$0	\$5,000	As Incurred	As Incurred	Approved Suppliers
Bookkeeping Services ^(25,26)	\$900	\$900	As Incurred	As incurred	Approved Supplier
Additional Funds – 3 Months ^(26,27)	\$30,000 375	\$60,000 75,375	As Required	As Incurred	Various and Us
TOTAL ESTIMATED INITIAL INVESTMENT FOR YOUR FIRST FRANCHISE ^{(3)(27,28)}	\$542,126 475,875	\$1,058,825 78,489			



Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Multi-3 Franchise			If you purchase a Multi-3 Franchise under the Multi-Franchise Addendum, you will incur all of the costs listed above for each Hounds Town USA Business you open except that the Initial Franchise Fee will total \$125,000 and allow you to open up to three Hounds Town USA Businesses. Additionally, you will receive a 10% discount off the then-current Launch Fee for the second and third Hounds Town USA Business. If you were to open three Hounds Town USA Businesses, using the same estimated initial expenses above, we estimate this total cost to range between \$1,598,378 and \$3,148,475.		

Multi-Franchise

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
<u>Initial Franchise Fee⁽²⁾</u>	<u>\$88,000</u>	<u>\$125,000</u>	<u>Lump Sum</u>	<u>When Franchise Agreement is signed</u>	<u>Us</u>
<u>Initial Investment for the first Hounds Town USA Business under a Multi-Franchise Addendum (excludes Initial Franchise Fee)</u>	<u>\$426,875</u>	<u>\$1,229,489</u>	<u>Per Table Above</u>	<u>Per Table Above</u>	<u>Per Table Above</u>
<u>Initial Investment for the second or third Hounds Town USA Business under a Multi-Franchise Addendum (excludes Initial Franchise Fee)</u>	<u>\$423,875</u>	<u>\$1,226,489</u>	<u>Per Table Above</u>	<u>Per Table Above</u>	<u>Per Table Above</u>
<u>TOTAL ESTIMATED INITIAL INVESTMENT FOR TWO FRANCHISES UNDER A MULTI-2 FRANCHISE ADDENDUM (includes Initial Franchise Fee)⁽³⁾⁽²⁷⁾</u>	<u>\$938,750</u>	<u>\$2,543,978</u>			



Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
TOTAL ESTIMATED INITIAL INVESTMENT FOR THREE FRANCHISES UNDER A MULTI-3 FRANCHISE ADDENDUM (includes Initial Franchise Fee ⁽³⁾⁽²⁷⁾)	\$1,399,625	\$3,807,467			

Notes:

- General Notes.** These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Hounds Town USA Franchise. The low estimate factors when you may reuse existing materials such as flooring, FF&E and other materials. Hounds Town USA facilities will typically be 54,000 to 76,000 square feet in size with 35 boarding enclosures and these estimates are based on this sizing. A smaller location does not mean your expenses will be on the low end. If you decide to purchase a building, your expenses may be higher than listed in Item 7. Your costs to build out your location will vary. They may be higher than projected in Item 7 depending on factors such as property location, population density, economic climate, prevailing interest rates, other financing costs, the conditions of the property, and whether you must use union labor. You should investigate all of these costs in the area where you wish to establish your business. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments. The estimated initial investment range in Item 7 is based on our knowledge of costs and expenses incurred by current franchisees and our experience with establishing Hounds Town USA Businesses, and reflects the current estimated initial investment range for the Hounds Town USA Business we currently offer under this Franchise Disclosure Document.
- Initial Franchise Fee.** See Item 5 for additional information regarding the Initial Franchise Fee. The Initial Franchise Fee is \$49,000 for the purchase of a Single Franchise. If you purchase a Multi-2 or Multi-3 Franchise, the only additional initial cost that you will incur over the purchase of a Single Franchise will be the higher Initial Franchise Fee, until you open the additional Hounds Town USA Business(es). The Initial Franchise Fee for a Multi-2 Franchise is \$88,000 and allows you to open up to two Hounds Town USA Businesses. The Initial Franchise Fee for a Multi-3 Franchise is \$125,000 and allows you to open up to three Hounds Town USA Businesses. Once you open additional Hounds Town USA Businesses, you will incur the costs listed in this Item 7 (except for the Initial Franchise Fee) at the time you open the additional Hounds Town USA Businesses. These costs may increase in the future depending on when you open the additional Hounds Town USA Businesses. The estimate does not include the build-out of any Hounds Town USA Business other than the first one.
- Launch Fee.** The Launch Fee for your first Hounds Town USA Business is \$30,000. Your Launch Fee will be discounted by 10% from our then-current fee for your second and each additional Hounds Town USA Business. See Item 5 for additional information regarding the Launch Fee.



4. Pre-Opening Marketing Package. The Pre-Opening Marketing Package covers the initial advertising we conduct on your behalf before opening. This includes digital and traditional marketing initiatives. See Item 5 for additional information regarding the Pre-Opening Marketing Package.
5. Annual Reunion Fee. See Item 5 for additional information regarding the Annual Reunion Fee. ~~The low end estimates 15 months of payments. The high end estimates 18 months of payments.~~
6. Microsite and Social Media Setup. We will set up your microsite and social media accounts. You must pay the \$300 one-time fee for this service.
7. Financial Training Access. We partner with outside training companies that provide access to their learning management system that provides training on profit and loss statements, balance sheet review, and understanding cash flow management. This is a one-time fee.
8. Training Expenses. We provide both the first phase of training (the “Initial Training Program”) and the second phase of training (the “Immersion Training Program”) -in Denver, Colorado, our affiliate’s location in New York, or at another location designated by us. You must pay for airfare, meals, transportation costs, lodging, and incidental expenses for all Initial Training Program and Immersion Training Program attendees. The Initial Franchise Fee includes both the Initial Training Program and Immersion Training Program for up to two people (including the managing owner); if additional initial training is required, or more people must be trained, an additional fee will be assessed. The low estimate assumes you will not elect to send additional people to the Initial Training Program. The high estimate assumes you send one additional person to the Initial Training Program and pay the initial training fee for additional person(s) fee of \$1,500 and the program is extended and you pay the extended training fee of \$500.
9. Pre-Opening Lease Payments. This estimate is for the first three month’s lease payments for your Hounds Town USA Business (some Landlords may require six months’ down payment). The Hounds Town USA Business will need approximately 54,000 to 76,000 square feet in a free standing building or in a traditional retail, commercial warehouse or light industrial space. The amount of your monthly rent will depend on the site’s size, condition and location, your ability to negotiate with the landlord, and the demand for the site among prospective lessees. Our estimates assume that you will be leasing space. If you choose to purchase a building or purchase land and build your own building, we cannot estimate what your lease payments will be. Some of our franchisees have received free rent for the first two to six months of their pre-opening lease term. The low estimate assumes you would not pay rent prior to opening.
10. Furniture, Fixtures and Equipment. The estimated initial investment includes costs related to the purchase of the grooming equipment, Shadow Stoppers, tables, tubs, washer, dryer, grooming tools, required puppy playground, fencing, Facility cleaning equipment and related expenses.
11. Leasehold Improvements. In most cases you will need to build-out the interior of your Hounds Town USA Business before opening. This estimate does not include any construction allowances or tenant improvement credits or rent credits that your landlord may offer. ~~In 2023 these allowances and credits ranged from \$0 to \$60,000~~ These estimates do not assume you purchase the building. All locations are required to maintain a minimum indoor temperature of 52 degrees Fahrenheit and a maximum indoor temperature of 82 degrees Fahrenheit. This estimate does not include any additional extensive improvements to a building, such as installing electrical and plumbing systems, installing or upgrading HVAC systems, hiring a sound engineer, or installing extensive sound mitigation. The low end estimate assumes you are able to reuse significant materials in the building such as flooring and fencing. If you choose to purchase a building or purchase land and build your own building, your expenses may be higher than those listed in Item 7.



To calculate the Leasehold Improvement numbers, we took the 24 locations that opened in the 2024 Calendar Year and backed out two locations where the franchisee purchased the building. The table below illustrates the average and median leasehold improvements, the number and percentage at or above the average, and the highest and lowest leasehold improvement amounts.

Leasehold Improvement for the 22 Hounds Town USA Businesses that Opened in the 2024 Calendar Year					
	AVERAGE AS \$ AMOUNT	NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT	HIGHEST	LOWEST
LEASEHOLD IMPROVEMENTS	\$559,834	9 (41%)	\$571,195	\$880,961	\$258,265

The high-end number is a location that leased a location that was a gray shell (an unfinished space) and received tenant improvement reimbursement. The low-end number is a location that performed their general contractor work themselves.

You may be able to negotiate various terms with your landlord. Some landlords will pay a portion of the leasehold improvement costs known as “Tenant Improvement”. To calculate the Deduction for Tenant Improvement, we took the 24 locations that opened in 2024 and backed out the two locations that were purchased. The table below illustrates the average and median deduction for Tenant Improvement, the number and percentage at or above the average, and the highest and lowest tenant improvement amounts for the 2024 calendar year.

Deduction for Tenant Improvement for the 22 Hounds Town USA Businesses that Opened in the 2024 Calendar Year					
	AVERAGE AS \$	NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT	HIGHEST	LOWEST
DEDUCTION FOR TENTANT IMPROVEMENT	\$42,482	5 (22%)	\$54,000	\$369,450	\$0

The high-end number is for a location where the leased space was a gray shell (unfinished). Out of the 22 locations, 9 (22%) received a Deduction for Tenant Improvement.

12. Site Survey. We will conduct a site survey on your behalf. This estimated expense would be paid to the company or firm that conducts that site survey. You must use the firm that we designate to conduct the site survey.
13. Concept Design. We will procure a CAD drawing of your location and this estimated expense will be paid to the company or firm that creates the CAD drawing. Requested revisions to the CAD drawings after our approval may increase this expense. You must use the firm that we designate to produce the Concept Design.
14. Security and Utility Deposits. Your actual deposit payments may vary depending upon your location and your market’s retail lease rates. Hounds Town USA facilities will typically be \$4,000 to 76,000 square feet in size. If you purchase instead of lease the premises for your Hounds Town USA Business, then the purchase price, down payment, interest rates, and other financing terms will determine your monthly mortgage payments. This estimate does not include any ~~construction~~ Tenant Improvement allowances that may be offered by your landlord. Building and



construction costs will vary depending upon the condition and size of the premises for your Hounds Town USA Business and local construction costs.

15. Opening Inventory. This estimate is for your opening inventory of retail items and one pallet of approved dog food.
16. Post-Opening Marketing. You must spend a minimum of \$25,000 on grand opening advertising. You must use our designated supplier for digital advertising. You must spend between \$15,000 and \$25,000 on post-opening marketing during the first three months after opening your Hounds Town USA Business. The high estimate is for more competitive markets. See Item 11 for more information.
17. Business Licenses and Permits. You may be required to obtain business licenses from local government agencies to operate your Hounds Town USA Franchise. You may also need a building permit while you are building out your Hounds Town USA Business.
18. Logo Gear and Uniforms. This estimate includes three months' worth of folders, brochures, business cards, staff shirts, report cards, Hounds Town USA bandanas for dogs, plus one or two Hounds Town USA branded retail items such as dog toys. It also includes three months' worth of items in the Hounds Town "birthday bar", which includes treats, cakes, toys, and signage. This estimate includes enough uniforms for three months of your opening team.
19. Signage. This estimate is for full signage on the front exterior of the building as well as interior signage. This includes an illuminated sign along the front entrance of the building and one road sign. The low and high estimates are based on supplier and location. The type and size of the signage you install will be based upon the zoning and property use requirements and restrictions. There could be an occasion where certain signage is not permitted because of zoning or use restrictions.
20. Insurance. This estimate includes the first three months of payments of annual insurance policies. You must obtain and maintain, at your sole expense, the minimum insurance requirements detailed in the Franchise Agreement Attachment D and satisfy all of the other insurance-related obligations in that Attachment. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Hounds Town USA Business, your rates may be significantly higher than those estimated above.
21. Computer Hardware. This estimate includes the computer equipment, iPad, software and installation, printer, and other required peripherals. You must purchase the designated point-of-sale cash register system for your Hounds Town USA Business.
22. Pre-Opening Technology Fees. Beginning when you sign the Franchise Agreement until you sign a lease, you will pay us a monthly Technology Fee of \$95 for one user or \$106 for two users for a Basic License or \$106 for one user or \$128 for two users for the Standard license. After you sign a lease, your monthly Technology Fee will increase to \$106 for one user or \$116 for two users for a Basic License and \$117 for one user and \$138 for two users for a Standard License. Our low estimate assumes you have one user of the Basic License and sign your lease within six months and open your Hounds Town USA Business within 12 months of signing the Franchise Agreement. Our high estimate assumes you have two users of the Standard License and sign your lease within six months and open your Hounds Town USA Business within 18 months of signing the Franchise Agreement.
- 22-23. Closed-Circuit Camera System. This estimate includes the cost of installing a closed-circuit camera system in your Facility. This system is for internal use only (not for customers or third parties). The



camera system must provide video coverage of all areas of your Facility including all entryways, parking lots, and outdoor areas. The system must be recorded through the use of a DVR or similar system, with the ability to access, playback and save the video. You must use our required vendor. We will have the right to access the camera system at all times.

23-24. Professional Fees. We strongly recommend that you hire a lawyer, accountant, or other professional to advise you on this Franchise offering.

24-25. Vehicle Lease, Wrap and Signage Vehicle Insurance. You must have a vehicle (“Vehicle”) for your Hounds Town USA Business with a wrap with the approved Hounds Town USA artwork prior to opening the Hounds Town USA Business as a branding and marketing channel. There are specific situations such as municipality or HOA codes which do not allow for a wrapped vehicle. You may request a variance in these situations. Your Vehicle must be in good working order, and must be approved by us in advance. We reserve the right to require our franchisees to purchase or lease a specific Vehicle in the future. Our estimates assume that you will lease your Vehicle. If you purchase the Vehicle, your initial investment will be higher than the figures listed in the chart. We reserve the right to revoke our approval of a Vehicle should the Vehicle no longer meet our minimum standards. The cost of vehicle signage can range between \$2,500 and \$3,500, depending on the type of Vehicle the signage is being installed on and the size of the signage.

25-26. Bookkeeping Services. You must use our approved supplier for bookkeeping services, for the duration of the Franchise Agreement. This estimate includes the monthly payment to the vendor for the first 90 days after you open your Hounds Town USA Business.

26-27. Additional Funds – 3 Months. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Hounds Town USA Business. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Hounds Town USA Franchises. They include payroll costs during the first three months of operation (but not any draw or salary for you), ~~initial~~ Technology Fees, Local Advertising Management Fees, utilities, advertising, rent, accounting and other professional fees, memberships, the travel, lodging and meal costs for our trainer(s) to provide the phase 2 training at your location and other operational expenses. These figures do not include standard pre-opening expenses, or advertising 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.

We have elected to include certain fees as line items above, including costs for the lease payments, and insurance premiums. These fees could also be included in our Additional Funds amount. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Hounds Town USA Business opens for business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Hounds Town USA Business.

27-28. This is an estimate of your initial start-up expenses for one Hounds Town USA Franchise. You should review these figures carefully with a business advisor before making any decision to purchase the Franchise. If you purchase a Multi-3 Franchise under the Multi-Franchise Addendum, you will incur all of the costs listed above for each Hounds Town USA Business you open except that the Initial Franchise Fee will total \$125,000 and allow you to open up to three Hounds Town USA Businesses. Additionally, you will receive a 10% discount off the then-current Launch Fee for the second and third Hounds Town USA Business.



ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Hounds Town USA Business according to our System and specifications. This includes purchasing or leasing all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Hounds Town USA Franchise under our specifications, which may include purchasing these items from: (i) our designees; (ii) approved suppliers; and/or (iii) us or our affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential franchise brand standards manual (“Franchise Brand Standards Manual”) states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Hounds Town USA Franchise and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Franchise Brand Standards Manual or through other written communication (including electronic communication such as email or through a system-wide intranet).

You must use the computer hardware and software that we periodically designate to operate your Hounds Town USA Franchise. You must obtain the computer hardware, software licenses, maintenance and support services, cloud-computing services, and other related services that meet our specifications from the suppliers we specify. You must use an architect that we designate to develop plans for the build-out of your Hounds Town USA Business.

You must obtain the insurance coverage required under the Franchise Agreement, which currently includes:

1. Property insurance shall insure the personal property (improvements and betterments, and contents) under a form with coverage not less than that found on ISO “Causes of Loss – Special Form” and ISO “Building and Personal Property Form” or their equivalent forms, with replacement cost valuation. The coverage shall include: (i) 100% of the estimated replacement cost of the personal property and all improvements and betterments; (ii) agreed amount or a coinsurance waiver; (iii) waiver of subrogation in favor of Franchisor; (vi) business income and extra expense for a period of 12 months and 12 months extended period of indemnity. In addition, the property policy shall cover: windstorm, acts of terrorism (at a minimum TRIA coverage), earthquake and flood.

2. Commercial general liability insurance shall cover all operations, services and/or work of Franchisee for bodily injury and property damage, advertising and personal injury liability with limits of not less than:

- a. \$1,000,000 each occurrence.
- b. \$1,000,000 personal and advertising injury.
- c. \$1,000,000 damage to premises rented to you liability.
- d. \$2,000,000 general aggregate (other than products – completed operations).
- e. \$2,000,000 products – completed operations aggregate.

Coverage shall be written on an “occurrence” basis using an ISO CG 00 01 form (“claims made” is not acceptable), with the following minimum coverage:

- a. Separation of insureds (as provided by ISO CG 00 01 form).
- b. Contractual liability (as provided by ISO CG 00 01 form).



- c. Additional insured coverage at least as broad as the insurance available to the named insured using ISO CG 20 26 (ISO edition 10/01 or 07/04 are acceptable) or similar carrier specific form and must specifically schedule the Franchisor.
- d. Additional insured status must be on a primary and noncontributory basis.
- e. Waiver of subrogation endorsement ISO CG 24 04 or similar carrier specific form must specifically schedule Franchisor.
- f. If franchise is located in New York, no “action over”, “bodily injury to independent contractors”, “New York labor law” or similar restrictions, endorsements, or exclusions.

3. Commercial automobile liability insurance shall cover all owned, leased, non-owned and hired vehicles for bodily injury and property damage with limits of not less than \$1,000,000 per accident and shall be written on an ISO CA 00 01 form and include Franchisor as an additional insured on a primary and non-contributory basis and a waiver of subrogation in favor of Franchisor.

4. Workers’ compensation and employers’ liability insurance in accordance with the applicable state statutes and laws exercising jurisdiction over employees. Sole proprietorships, members of LLC’s, executive officers of corporations, and partners who will be performing any operations, services or work may not “opt out” of coverage in states where allowed. Employers’ liability limits not less than:

- a. \$1,000,000 bodily injury by accident, for each accident.
- b. \$1,000,000 bodily injury by disease, policy limit.
- c. \$1,000,000 bodily injury by disease, each employee.

Coverage to include the following minimum coverage:

- a. Where allowed by law, a waiver of subrogation endorsement in favor of Franchisor.
- b. If franchise is located in West Virginia, endorse the employers’ liability to provide coverage for “intentional acts”.
- c. If franchise is located in Texas, Occupational Accident Liability coverage is not an acceptable replacement for workers’ compensation and employers’ liability coverage.

5. Umbrella liability insurance shall cover all operations, services and/or work of Franchisee and shall be follow form of the employers’ liability, commercial general liability and commercial automobile liability insurance policies as detailed in this Insurance Exhibit with limits of not less than:

- a. \$2,000,000 each occurrence.
- b. \$2,000,000 general aggregate.
- c. \$2,000,000 products – completed operations aggregate.

Coverage shall be written on an “occurrence” basis form which is acceptable to Franchisor (“claims made” is not acceptable), with the following minimum coverage:

- a. ~~a.~~ Franchisor as an Additional insured with coverage at least as broad as the insurance available to the named insured.
- b. Additional insured status must be on a primary and noncontributory basis.

6. Professional liability (errors & omissions) insurance which shall cover an actual or alleged negligent act, error, or omission arising out of any operations, services or work of Franchisee with limits of not less than \$3,000,000 each claim and include a waiver of subrogation in favor of Franchisor. Franchisee warrants that any applicable retroactive date precedes the date the Franchisee first performed any operations,



services or work and that continuous coverage or an extended reporting period shall remain in force for a period not less than three (3) years following the termination of the franchise agreement.

7. And such other or additional insurance as may be customary, required by law, or as Franchisor or Franchisee deems necessary to maintain.

The insurance company must be authorized to do business in the state where your Hounds Town USA 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, except for employment liability insurance policies, must name us and any affiliates we designate as additional named insured parties.

Purchases from Approved Suppliers

We will provide you with a list of our designated and approved suppliers in our Franchise Brand Standards Manual. You are required to use our designated supplier for bookkeeping services. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for products and services that require supplier approval), you must notify us and submit to us the information, specifications, and samples we request. We will use commercially reasonable efforts to notify you within 30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. We reserve the right to charge a fee to evaluate the proposed product, service, or supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to Hounds Town USA Franchises to ensure timely deliveries of the products or services; (5) the dependability of the supplier; and (6) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products, and we reserve the right to revoke our approval of any supplier, product, or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product, or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

We may conduct market research and testing to determine consumer trends and salability of new products, materials and services. You must cooperate by participating in our market research programs, test marketing new products and services and providing timely reports and other relevant information regarding marketing research. In connection with such test marketing, you must purchase a reasonable quantity of products to be tested and effectively promote and make a reasonable effort to sell such products, materials and services.

We are currently the only approved supplier of Hounds Town USA branded items (including brochures, business cards, grand opening materials, etc.) and the Shadow Stoppers. Some of our officers own an equity interest in us, HT USA, and we are an approved supplier. Other than this, none of our officers own an equity interest in any supplier. We, and our affiliates, reserve the right to become approved suppliers of other items in the future. We may derive revenue from these sales and may sell these items at prices exceeding our or their costs. You must use our designated supplier for social and digital advertising.

We may negotiate purchase arrangements with approved suppliers for all products, equipment, supplies, and materials and receive consideration from these suppliers (including manufacturers, wholesalers, and distributors) in the form of rebates or other payments.



We estimate that approximately 60% to 80% of purchases required to open your Hounds Town USA Business and 25% to 35% of purchases required to operate your Hounds Town USA Business will be from us or from other approved suppliers, and under our specifications.

We ~~did not receive any~~ received \$ 2,368 in revenue from the sale of products or services to franchisees during our fiscal year ended December 31, ~~2023-2024~~. This represents less than 1% of our total revenue of \$5,249,967. Our affiliates do not sell or lease products or services to our franchisees.

We and our affiliates may receive rebates or other consideration from suppliers in consideration for goods or services that we require or advise you to obtain from approved suppliers, and we reserve the right to do so in the future. During our last fiscal year, we received rebates totaling \$~~15,331,369.51~~ which were paid as a percentage of product purchases by franchisees. Our revenue or other consideration received may include promotional allowances, volume discounts, and other payments. If we do receive rebates from a purchasing arrangement, there is no restriction on our use of this money.

We do not have purchasing and distribution cooperatives 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 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.

You may not: (a) render any service at or from any place except your Hounds Town USA Business; or (b) deliver any service at any place other than your Hounds Town USA Business. You may not establish a website, nor may you offer, promote, or sell any products or services, or make any use of the Marks, through the Internet without our prior written approval, which may be withheld in our sole discretion.

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.

Obligation	Section in Franchise Agreement	Item in Franchise Disclosure Document
a. Site selection and acquisition/lease	Section 7	Item 11
b. Pre-opening purchases/leases	Sections 7, 8 and 9	Items 8
c. Site development and other pre-opening requirements	Sections 7, 8 and 9	Items 6, 7 and 11
d. Initial and ongoing training	Section 7	Item 11
e. Opening	Sections 7 and 8	Item 11
f. Fees	Sections 3, 5, 6, 7, 8, 9, 11, 12, 15 and 17 and Attachment A	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Section 8	Item 11
h. Trademarks and proprietary information	Section 10	Items 13 and 14
i. Restrictions on products/services offered	Section 8	Item 16



Obligation	Section in Franchise Agreement	Item in Franchise Disclosure Document
j. Warranty and customer service requirements	Sections 8 and 11	Item 11
k. Territorial development and sales quotas	Section 4 and Attachment A	Item 12
l. Ongoing product/service purchases	Section 9	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 3, 8 and 15	Not Applicable
n. Insurance	Section 12	Items 7 and 8
o. Advertising	Section 11	Items 6 and 11
p. Indemnification	Section 12	Not Applicable
q. Owner's participation/management and staffing	Section 8	Items 11 and 15
r. Records and reports	Section 6	Item 6
s. Inspections and audits	Section 6	Items 6 and 11
t. Transfer	Section 15	Item 17
u. Renewal	Section 3	Item 17
v. Post-termination obligations	Sections 14 and 17	Item 17
w. Non-competition covenants	Sections 14 and 17	Item 17
x. Dispute resolution	Section 20	Item 17
y. Liquidated damages	Section 17	Item 6
z. Guaranty	Sections 7 and 15 and Attachment B	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing to you. We do not guarantee your note, lease, or obligation.

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

Except as listed below, HT USA is not required to provide you with any assistance.

Pre-opening Obligations

Before you open your Hounds Town USA Business, we (or our designee(s)) will provide the following assistance and services to you:

1. Provide an Initial Training Program, Immersion Training Program and grand opening training program (See Franchise Agreement - Section 7.3).
2. Loan you one copy of the Franchise Brand Standards Manual. The Franchise Brand Standards Manual contains approximately 488200 pages. The table of contents for the Franchise Brand Standards Manual is attached to this Franchise Disclosure Document as Exhibit F (See Franchise Agreement - Section 7.3).



3. Provide you with advice in identifying a suitable Facility for the Franchise (See Franchise Agreement - Section 7.4). We must approve the site before you sign the lease for the Facility.

4. In evaluating a proposed site, we consider such factors as general location and neighborhood, traffic patterns, parking, size, layout and other physical characteristics. Before leasing or purchasing the site for your Franchise, you must submit to us, in the form we specify, a description of the site, with other information and materials we may reasonably require. We will have 30 days after we receive the information and materials to evaluate the proposed site. If we disapprove of the proposed site, you must select another site, subject to our consent. You must purchase or lease the site for your Franchise within 180 days after signing the Franchise Agreement- (unless we grant you an extension, as described below in this Item). We generally do not own the premises for the Franchise and lease it to you (See Franchise Agreement - Sections 7.4 and 7.5).

5. Once you have an approved site for your Facility, we will designate a territory (See Franchise Agreement - Section 7.3).

6. Review your lease agreement for the Facility to ensure that its terms contain our required provisions and otherwise meet our minimum standards (See Franchise Agreement - Sections 7.4 and 8.2).

7. We will provide a copy of our basic specifications for the design and layout of your Hounds Town USA Business, including layout drawings. You are responsible for hiring an approved architect and for the costs of preparing architectural, engineering and construction drawings and site plans, which you must submit to us for our review and approval before you begin construction of your Franchise. You are responsible for the costs of construction and remodeling. (See Franchise Agreement - Section 7.3).

8. We will provide you with specifications for furniture, fixtures, equipment, inventory and supplies required for the operation of your Hounds Town USA Business as well as a list of names and addresses of required or approved suppliers, manufacturers and distributors. You are responsible for the costs and expense, to install all equipment, furniture and fixtures as specified in the Franchise Brand Standards Manual (See Franchise Agreement - Sections 7.2, 8.2 and 9.3).

9. Provide you with materials and consultation in connection with the grand opening marketing for your Hounds Town USA Franchise which will be delivered to you (See Franchise Agreement - Section 7.3).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Hounds Town USA Businesses.

Site Selection

You must select the site for your Hounds Town USA Business subject to our approval. We do not locate sites for you. Before leasing or purchasing the site for your Hounds Town USA Business, you must submit to us, in the form we specify, a description of the site, with other information and materials we may reasonably require. We will have 30 days after we receive the information and materials to evaluate the proposed site and notify you of our decision. We will not unreasonably withhold our approval, provided the site meets our minimum requirements. Our criteria for reviewing a proposed site includes its location, visibility, ease of access, proximity to a major road, parking, lighting and the physical characteristics of the building. We will not, under any circumstances, approve a home as the site for a Hounds Town USA Business. If we disapprove of the proposed site, you must select another site, subject to our consent.



You must purchase or lease a site for your Hounds Town USA Business within 180 days after signing the Franchise Agreement. We may grant you one, 180-day extension to the deadline for purchasing or leasing a site. You must request the extension from us and if approved, you must purchase or lease, at your expense, the site for your Hounds Town USA Business within ~~360~~no later than 365 days after signing the Franchise Agreement. You also must submit for review and approval any sale or lease contract before you sign it. If you are unable to purchase or lease a site for your Hounds Town USA Business within 180 days after signing the Franchise Agreement, you must file for an extension. We may grant you one extension to the deadline for purchasing or leasing a site. Your failure to purchase or lease a site for your Hounds Town USA Business, within ~~360~~365 days after signing the Franchise Agreement, (including one extension), or open within 18 months after the effective date of the Franchise Agreement, is considered a material breach of the Franchise Agreement which provides us with the right to terminate your Franchise Agreement. You may not relocate your Hounds Town USA Business without our prior written consent.

All leasehold improvements must comply with our plans and specifications. You must comply with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You must submit construction plans or build-out plans and specifications to us for our approval before construction of the Facility begins, and you must submit all revised plans and specifications to us for our approval during construction.

Schedule for Opening

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of a Hounds Town USA Business is approximately ~~15~~12 to 18 months. Some factors which may affect this timing are your ability to locate an acceptable site, the time to acquire the site through lease or purchase negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other state and local requirements; your ability to obtain any necessary permits and certifications; the timing of the delivery and installation of equipment, tools, signs and inventory; and the time to convert, renovate, or build-out your Hounds Town USA Business.

You may not open your Hounds Town USA Business until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) you have completed the Initial Training Program to our satisfaction; (3) all amounts due to us have been paid; (4) we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums we request; (5) you notify us that all approvals and conditions stated in the Franchise Agreement have been met; (6) you have received all required permits and licenses; (7) your POS system is properly configured and active with your up to date pricing and location specific liability release; (8) you have ordered, received, and installed any needed fixtures, and equipment and have received all supplies, inventory, and related materials; and ~~(8)~~(9) you have provided us with a fully-executed copy of the Lease for your Facility negotiated under the terms of the Franchise Agreement; and (10) your Vehicle has been purchased or leased, wrapped and approved by us for use. You must be prepared to open and operate your Hounds Town USA Business immediately after we state it is ready for opening. You must open within 18 months after signing the Franchise Agreement.

Continuing Obligations

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

1. Inform you of mandatory specifications, standards and procedures for the operation of your Hounds Town USA Business (See Franchise Agreement - Sections 7, 8, 9, 10 and 14).



2. Upon reasonable request, provide advice regarding your Hounds Town USA Business' operation based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods in our discretion (See Franchise Agreement - Section 7.6).

3. Provide you with advice and guidance on advertising and marketing (See Franchise Agreement - Sections 7.6 and 11).

4. Provide additional training to you for newly-hired personnel on the Hounds Town USA brand and System guidelines, refresher training courses and additional training or assistance that, in our discretion, you need or request. You may be required to pay additional fees for this training or assistance (See Franchise Agreement - Section 7.6).

5. Allow you to continue to use confidential materials, including the Franchise Brand Standards Manual and the Marks (See Franchise Agreement - Section 7.6).

Optional Assistance

During the term of the Franchise Agreement, we (or our designee(s)) may, but are not required to, provide the following assistance and services to you:

1. Modify, update or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new menu items, new equipment or new techniques.

2. Make periodic visits to the Facility for the purpose of assisting in all aspects of the operation and management of the Franchise, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Franchise, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges.

3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice (See Franchise Agreement - Section 11).

4. Hold periodic national or regional conventions to discuss business and operational issues affecting Hounds Town USA franchisees.

5. Reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

Advertising

Pre-Opening Marketing Package

You are required to purchase a "Pre-Opening Marketing Package" from us for \$15,000 when you sign the Franchise Agreement.

Post-Opening Marketing

Beginning approximately at your grand opening through approximately 90 days after you open your Hounds Town USA Business, we require that you spend ~~a minimum of \$25,000 on local advertising between~~ \$15,000 and \$25,000 (\$5,000 a month to \$8,333 a month) on local marketing and advertising. You must use



our designated supplier for digital advertising. The maximum is used in markets that we deem highly competitive or are more expensive. This is in addition to the purchase of the Pre-Opening Marketing Package.

Brand Fund

We have established a Brand Fund for marketing, developing and promoting the System, the Marks and Hounds Town USA Franchises. You must contribute 2% of your monthly Gross Sales (“Brand Fund Contribution”) to the Brand Fund but we reserve the right to increase your Brand Fund Contribution to up to 3% of your monthly Gross Sales upon 30 days’ written notice to you. The Brand Fund will be administered by us, or our affiliates or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The Brand Fund will be ~~in a separate bank account, commercial account, or savings account~~ accounted for separately.

Your Brand Fund Contribution will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the Brand Fund, but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Hounds Town USA Businesses owned by us or our affiliates may, but are not required to, contribute to the Brand Fund on the same basis as franchisees.

We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for local, regional, or national marketing, advertising, sales promotion, and promotional materials; public and consumer relations; website development and search engine optimization; the development of technology for the System; and any other purpose to promote the Hounds Town Brand. We may reimburse ourselves, our authorized representatives, or our affiliates from the Brand Fund for administrative costs; independent audits; reasonable accounting, bookkeeping, reporting, and legal expenses; taxes; and all other direct or indirect expenses associated with the programs funded by the Brand Fund. We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in your territory or area. We will not use the Brand Fund Contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available,” or similar phrasing, or include information regarding acquiring a Franchise on or as a part of materials and items produced by or for the Brand Fund.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct, or administer the Brand 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 Brand Fund on any terms we deem reasonable.

The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others to cover deficits, or invest any surplus for future use. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund’s other assets. Any amounts in the Brand Fund at the end of any year will carry over to the next year. We will prepare an annual, unaudited statement of Brand Fund collections and expenses and give you the statement upon written request. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The Brand Fund is not audited. Upon your written request, we will provide to you an annual accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year.

During our most recent fiscal year ended December 31, ~~2023~~2024, the Brand Fund was spent as follows: ~~19~~18% on Agency Fees, ~~22~~26% on Local Store Marketing Development, ~~36~~30% on Digital and Brand Fund Management, ~~20~~18% on Creative Production, and ~~3~~8% on platform fees (website, CRM/email, podcast, video hosting). Neither our affiliate(s) nor we receive payments for providing goods or services to the Brand Fund, except for reimbursement of expenses as described above.



We intend the Brand Fund to maximize recognition of the Marks and patronage of Hounds Town USA Businesses. Although we will try to use the Brand Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Hounds Town USA Businesses, we do not need to ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Brand Fund contributions by Hounds Town USA Businesses operating in that geographic area or that any Hounds Town USA Business benefits directly or in proportion to its Brand Fund contribution from the development or placement of advertising and marketing materials. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund contributions at the Brand Fund's expense. We also may forgive, waive, settle and compromise all claims by or against the Brand Fund. We assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing or administering the Brand Fund.

We may at any time defer or reduce the Brand Fund contributions of a Hounds Town USA Business and, upon 30 days' prior written notice, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will distribute all unspent monies to all Hounds Town USA Businesses (whether franchised or operated by us or our affiliates) in proportion to their respective Brand Fund contributions during the preceding 12-month period.

Local Advertising

In addition to the Brand Fund Contributions and grand opening advertising obligations, you must spend the following amounts on local advertising ("Local Advertising Requirement"): \$5,000 per month during months 4-12; \$4,000 per month during months 13-36; and 2% of gross revenue during months 37 and after. After 37 months of operations, we reserve the right to require you to spend either 2% of Gross Sales or \$3,500, whichever is greater, if your location has six or more months of negative year-over-year sales in a rolling 12-month period. The Local Advertising Requirement is an ongoing expense that begins the month you begin operations of your Hounds Town USA Business. You must use our designated supplier for social and digital advertising. You must submit monthly local advertising reports to us on request. If you fail to spend the required amount on the Local Advertising Requirement, which is calculated on a rolling three-month basis, we reserve the right to require you to pay the difference to the Brand Building Fund.

We provide you with certain various marketing-related management fees for social and digital media marketing and advertising such as consumer newsletters, website, online listing and social media platforms, and editable marketing asset and printing tools. You will pay us our then-current Local Advertising Management Fee (currently \$125 per month). This is in addition to your post-opening marketing obligation and the Local Advertising Requirement.

You agree, at your sole cost and expense, to issue and offer such rebates, giveaways, and other promotions in accordance with advertising programs established by us, and further agree to honor the rebates, and other promotions issued by other Hounds Town USA franchisees under any such program, so long as such compliance does not contravene any applicable law, rule, or regulation. You must offer one free day of services to all new customers (this will not count toward your Local Advertising Requirement). You will not create or issue any gift cards/certificates, and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Hounds Town USA Businesses, and you will not issue coupons or discounts of any type except as approved by us.

All of your advertisements, marketing efforts and promotions must be made within your territory unless we allow you to do so outside of your territory, in our sole discretion. All advertising, promotional, and marketing content must be clear, factual, not misleading, and must conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that are included in the



Franchise Brand Standards Manual. Before you conduct any advertising or marketing you must send us or our designated agency samples of your proposed materials for review. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. At our request, all local advertising materials must include certain language, such as “Franchises Available” and our website address and telephone number. You are prohibited from making press releases or contributions or donations associated with the Marks or the Hounds Town USA Business without our consent.

You may be required to participate in any local or regional advertising cooperative for Hounds Town USA Franchises that is established. The area of each local and regional advertising cooperative will be defined by us, based on our assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative for each Hounds Town USA Business that the franchisee owns that exists within the cooperative’s area. Each Hounds Town USA Business we own that exists within the cooperative’s area will contribute to the cooperative on the same basis as franchisees. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. Your contributions to any local or regional advertising cooperative are included as part of the Local Advertising Requirement. In the event Hounds Town USA Businesses we own outnumber franchisee-owned Hounds Town USA Businesses, the minimum contribution will be 0.5% of your Local Advertising Requirement and the maximum contribution will be 100% of your Local Advertising Requirement. We may require that each cooperative operate with governing documents. Each cooperative must prepare annual unaudited financial statements, and such statements will be provided for review to each member of such cooperative. We reserve the right to form, change, dissolve, or merge any advertising cooperative formed in the future. If we elect to form such cooperatives, or if such cooperatives already exist near your territory, you will be required to participate in compliance with the provisions of the Franchise Brand Standards Manual, which we may periodically modify in our discretion.

You may become a member of local and national networking groups, such as the American Boarding Kennel Association, your local Chamber of Commerce, Better Business Bureau, or other networking groups. We strongly recommend joining as many groups as possible to promote your Hounds Town USA Business.

You must only use our approved suppliers of social and digital media marketing and advertising. We reserve the right to modify and add new vendors and services. You will be responsible for any increase in fees that result from any modifications or additions. In our discretion, we may give you the opportunity to work with certain vendors that provide marketing services that accomplish purposes relating to the Brand Fund.

Marketing Resources, Pre-Approvals for Marketing Materials, and Internet Marketing

You must order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material, without obtaining our prior written approval. If you desire to use your own advertising materials, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 20 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed an approval of your request. Use of logos, Marks, and other name identification materials must follow our approved standards. You may not use our logos, Marks, and other name identification materials on items to be sold or services to be provided without our prior written approval. If we approve of promotional items or services that will be sold in your Hounds Town USA Business, those items or services must be included in your Gross Sales, and will be subject to Royalties and the Brand Fund Contributions. If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to the Brand Fund.



System Website

We have established a website for Hounds Town USA Businesses (“System Website”). We have established local pages for each Hounds Town USA franchisee on our System Website. Your page will include information relating to your specific business location and select content that we provide from our Franchise website. You must notify us whenever any information on your webpage changes or is inaccurate. At your request, we will update or add information that we approve to your webpage. We reserve the right to change the requirements relating to your page at any time.

You may not establish or maintain any other website without our prior written approval. All such information shall be subject to our approval prior to posting. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, linking, advertising, and co-branding arrangements. You may be requested to provide content for our Internet marketing, and you must follow our intranet and Internet usage rules, policies, and requirements.

We will establish a Facebook page, Google My Business Page, Instagram account and Yelp Business page for your location. You may choose to establish any other social media platforms. All social media accounts are required to be approved in writing by us, and must be properly branded and make use of approved logos and trademarks to represent the account. We reserve the right to require changes to all social media sites, content, and materials used on such sites should we find any content offensive, improper, or not in line with the Hounds Town USA brand. We reserve the right to require you to establish additional social media accounts and to participate and engage in additional social media as we see fit. You must follow our online policy, which is contained in our Franchise Brand Standards Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.

As long as we maintain a System Website, we will have the right to use the Brand Fund assets to develop, maintain, and update the System Website. We may update and modify the System Website from time to time. You must promptly notify us whenever any information on your listing changes or is not accurate. We have final approval rights of all information on the System Website. We may implement and periodically modify System standards relating to the System Website.

We are only required to reference your Hounds Town USA Business on the System Website while you are in full compliance with your Franchise Agreement and all System standards. If you are in default of any obligation under the Franchise Agreement or System standards, then we may temporarily remove references to your Hounds Town USA Business from the System Website until you fully cure the subject default(s).

Advisory Council

We currently have an advisory council. (“Council”). The Council is elected through a voting process by the franchisees. The Council services in an advisory capacity. We have the right to change and dissolve the advisory council.

Computer Equipment and Software

You are required to purchase a computer system that consists of the following hardware and software: (a) our designated point-of-sale system (“POS System”), two computers (minimum one desktop; the second may be a desktop or a laptop) and an additional monitor, a printer; and (b) QuickBooks accounting software



and our point-of-sale software (“Computer System”). We estimate the cost of purchasing the Computer System will be between \$1,0002,500 and \$2,5003,000. The Computer System will manage the daily workflow of the Hounds Town USA Business, coordinate the customer ordering experience, track inventory, and other information.

You must record all Gross Sales on the Computer System. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System will generate reports on the Gross Sales of your Hounds Town USA Franchise. You must also maintain a high-speed Internet connection at the Hounds Town USA Business with a static IP address. In addition to offering and accepting Hounds Town USA gift cards and loyalty cards, you must use any payment vendors and accept all payment methods that we determine. We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System. You must arrange for installation, maintenance and support of the Computer System at your cost. You are required to purchase tech support and kennel management services software from our approved supplier, which is currently \$279 per month. There are no limitations in the Franchise Agreement regarding the costs of such required ongoing support, maintenance, repairs or upgrades relating to the Computer System. The cost of maintaining, updating, or upgrading the Computer System or its components will depend on your repair history, costs of computer maintenance services in your area, and technological advances. We estimate the annual cost will range between \$1,000 and \$2,000, but this could vary (as discussed above). We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

We (or our designee(s)) have the right to independently access the electronic information and data relating to your Hounds Town USA Franchise, and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Hounds Town USA Franchises. This may include posting financial information of each franchisee on an intranet website. You must provide us oversight access to your ~~QuickBooks~~ accounting software; (currently, Quickbooks online), which will allow us to view all your financial data. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your Hounds Town USA Business, or from other locations.

Training

Pre-Opening Training

Pre-opening training will be conducted in two parts, the Initial Training Program and the Immersion Training Program. Before you open the Hounds Town USA Business, you (or your managing owner, if you are an entity) and your designated manager must attend and successfully complete to our satisfaction our Initial Training Program and our Immersion Training Program. Pre-opening training includes training for up to two people, provided they each attend the Initial Training Program and Immersion Training Program together (See Franchise Agreement - Section 7.3). Successful completion of the training programs will be determined by daily quizzes, and an exam at the end of each phase of training. In the event you don't successfully complete the Initial Training Program or the Immersion Training Program, you may be required to come back for extension training so that you may successfully complete these training programs. You will pay us a fee of \$500 for each extended portion, and will be responsible for any travel and lodging expenses you incur. You must attend and successfully complete the Immersion Training Program after the Initial Training Program and no earlier than 30 days prior to the opening of your Hounds Town USA Business. You must pay an additional training fee for training each additional person (See Item 6). Initial training classes are held whenever necessary to train new franchisees. You will not receive any compensation or reimbursement for services or expenses for participation in the Initial Training Program. You are responsible for all your expenses to attend any training program, including lodging, transportation, food and similar expenses.



We plan to provide the training listed in the tables below. We reserve the right to vary the length and content of the Initial Training Program based upon the experience and skill level of the individual attending the Initial Training Program. You must also obtain any necessary state-required certifications for you and your employees.

TRAINING PROGRAM

Initial Training Program

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Business Administration / Finance	46	0-2	Our corporate headquarters in Orlando, Florida, <u>or Denver, Colorado</u> , our affiliate's location in New York, or at another location we designate, or through our Learning Management System.
Operations and Facility Management	4	5	Our corporate headquarters in Orlando, Florida, <u>or Denver, Colorado</u> , our affiliate's location in New York, or at another location we designate, or through our Learning Management System.
Dog Management	3	2	Our corporate headquarters in Orlando, Florida, <u>or Denver, Colorado</u> , our affiliate's location in New York, or at another location we designate, or through our Learning Management System.



Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Customer Service	3	2	Our corporate headquarters in Orlando, Florida, <u>or Denver, Colorado</u> , our affiliate's location in New York, or at another location we designate, or through <u>through</u> our Learning Management System.
Staffing	3	2	Our corporate headquarters in Orlando, Florida, <u>or Denver, Colorado</u> , our affiliate's location in New York, or at another location we designate, or through <u>through</u> our Learning Management System.
Safety	2	2	Our corporate headquarters in Orlando, Florida, <u>or Denver, Colorado</u> , our affiliate's location in New York, or at another location we designate, or through <u>through</u> our Learning Management System.
Marketing	1	1	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate, or thru our Learning Management System.



Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
<u>Spa Management Marketing</u>	1	01	Our corporate headquarters in Orlando, Florida, <u>or Denver, Colorado</u> , our affiliate's location in New York, or at another location we designate, <u>or through</u> our Learning Management System.
Total Hours	<u>2122</u>	<u>1416</u>	

Immersion Training Program

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Staffing	2	0	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate
Operations and Facility Management	<u>12</u>	<u>64</u>	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate
Feeding and Medication	<u>0.5</u>	<u>21</u>	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate
Dog Management	2	14	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate
Working in store, Customer Service/ POS	0	8	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate
Customer Service/ Sales	0	6	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate



Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Spa Services	40.5	6	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate
Safety	0.1	2	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate
Total Immersion Hours	68	4241	Our corporate headquarters in Orlando, Florida, our affiliate's location in New York, or at another location we designate

Grand Opening Training Program

We will provide up to ~~2220~~ hours of virtual training approximately three to four weeks prior to your projected opening date to familiarize you with the tools you will use to train your Hounds Town team. We will also provide up to 60 hours of on-site grand opening training beginning two days before and ending five to seven days after your Hounds Town USA Business opens to the public. Your entire staff must be in attendance for this training.

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Dog Management	3	50	Your Hounds Town USA Business
Facility Operations	4	10	Your Hounds Town USA Business
Sales	5	0	Your Hounds Town USA Business
Employee Hiring & Management	408	0	Your Hounds Town USA Business
Total	2220	60	



Onsite Training (Phase 2 Training- Post-Opening)

Between one and six months after the opening of your Hounds Town USA Business, we will provide up to 8 hours of on-site Phase 2 Training. Your entire staff must be in attendance. You must pay for the travel, lodging and meals costs for our trainers.

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Dog Management	1	6 5	Your Hounds Town USA Business
Facility Operations	0	4 2	Your Hounds Town USA Business
Total	1	7	

Notes:

1. The training subjects may vary, and the training may be less than the times indicated above depending on the number and experience of the attendees. We will use the Franchise Brand Standards Manual, handouts and presentations, as well as any other material that we believe will be beneficial to incorporate in our training program as the primary instruction materials during the Initial Training Program.
2. Nicole Holland, our Senior Director of Training, currently oversees our training program. Ms. Holland has served as our Director of Training since September 2022. Rachel Cloutier, our Training Coordinator, provides classroom and virtual training. Ms. Cloutier has been with Hounds Town since October 2021. Sam Reilly also provides training instruction. Ms. Reilly is our Dog Management Specialist and served as the manager of our affiliate location and has worked for our affiliate for more than seven years.
3. Other instructors will include experienced Hounds Town USA instructors in relevant fields, with a minimum of three years' experience in franchising. Our corporate team of instructors are well trained & comprised of experienced franchise professionals and staff from our corporate location.

Ongoing Training

From time to time, we may require that you, managers and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional, while others may be required. If you request that we provide additional training at your Hounds Town USA Business location, or if we determine that additional on-site training is necessary, you must pay our then-current per diem fee for each trainer we send, currently \$~~600~~750 per attendee per day, to reimburse our trainer's costs, including travel, lodging and meals.

We may present national, regional or local seminars, create Learning Management Courses, or hold conventions or continuing development programs for the benefit of our franchisees. Your attendance at most of these seminars is voluntary. However, you (or your managing owner, if you are an entity) or your



designated manager must attend any mandatory seminar, convention, or program we may offer. You (or your managing owner, if you are an entity) or your designated manager will not be required to attend any mandatory seminar, convention or program more than twice per year at a location we determine. We will give you at least 30 days' prior written notice of any mandatory seminar, convention or program. You must pay for your travel and living expenses incurred in attending any mandatory or voluntary seminar as well as any convention, or training fees at our then-current published rate (see Item 6).

In addition to participating in ongoing training, you will be required to attend an annual meeting of all franchisees at a location we designate and pay ~~a convention fee, currently estimated to be \$1,000 per person, if we hold an annual meeting of all franchisees (See Item 6). You are responsible for all travel and expenses for your attendees~~ an annual reunion fee (See Item 6). This fee will be payable to us to help defray the cost of your attendance at any annual reunion that we choose to hold. You will begin to pay the monthly deposits when you sign the Franchise Agreement and will be billed for any difference between the actual fee and the monthly deposits paid by the payment deadline. The final balance owed depends on the number of monthly deposit payments made and the final cost of the annual reunion. The fee will resume the month following the annual reunion. Additional guests may attend the convention at our then-current fee. We also reserve the right to restrict franchisees from attending based on past performance, previous defaults and other factors in our sole discretion. You are responsible for paying our then-current annual reunion fee, whether or not you attend the annual reunion in any given year.

ITEM 12 TERRITORY

Franchise Agreement

You may operate the Hounds Town USA Business only at the accepted location. An accepted location is one in which we state meets our site selection criteria. The accepted location for your Facility will be listed in the Franchise Agreement. If you have not identified an accepted location for the Facility when you sign the Franchise Agreement, as is typically the case, you and we will agree on the accepted location in writing and amend the Franchise Agreement after you select and we accept the accepted location. Under these circumstances, we will provide you a search area defined by city or county limits, zip code areas, street boundaries or other geographic boundaries. The search area will terminate at the earlier of: (a) our acceptance of your location; or (b) 180 days after signing the Franchise Agreement, which is the amount of time we give you to purchase or lease the site for your Franchise. You may not search outside your search area without our written approval which we may revoke at any time. You may not search within the search area of another franchisee.

You are not guaranteed any specific accepted location and you may not be able to obtain your top choice as your accepted location. You may not relocate your Hounds Town USA Business without our prior written approval. We may approve a request to relocate your Hounds Town USA Business in accordance with the provisions of the Franchise Agreement that provide for the relocation of your Hounds Town Business, and our then-current site selection policies and procedures.

You will receive an exclusive territory ("Territory") after you select and we accept a suitable site based on our site selection standards as outlined in our Brand Standards Manual. During the term of the Franchise Agreement, neither we nor any affiliate will establish a company-owned or franchised Hounds Town USA Business selling the same or similar products or services under the same or similar trademarks or service marks within your Territory. The Territory will generally comprise an area that includes a population of approximately 100,000 people and/or a drive time around the location of ~~15~~12 minutes. Drive times may vary depending on density and/or the urbanization around the location. The population statistics used in determining your Territory will be based on numbers derived from the current United States Census report and supplemented with other information available and other population statistical sources of our choosing to



determine populations. In certain densely populated metropolitan areas, a territory may be smaller, while Hounds Town USA franchisees operating in less densely populated urban areas may have significantly larger areas. Your Territory will be identified in an attachment to your Franchise Agreement. The Territory may be defined by city or county limits, zip code areas, street boundaries or other geographic boundaries. You are prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Territory without our written permission, but customers may use your Hounds Town USA Business that reside anywhere. If you renew your Franchise, your Territory may be modified depending on the then-current demographics of the Territory, and on our then-current standards for territories.

We retain all territorial rights ~~right~~, for ourselves and our affiliates, not expressly granted to you. These include the right:

1. to own, franchise, acquire, operate and license to others to operate a Hounds Town USA Business at any location outside of the Territory, regardless of the proximity to the Facility (even if there may be some impact to your business within the Territory);
2. to use the Marks and the System to sell any products or services the same as or similar to those that you will sell through any alternative channels of distribution within or outside of the Territory. This includes, but is not limited to, retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We reserve the right to distribute labeled products branded with our logo. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;
3. to use and license the use of other proprietary and non-proprietary marks or methods that are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering dog care facilities, which may include day care, overnight boarding, grooming and related products and services at any location, including within the Territory, which may be the same as, similar to, or different from the Hounds Town USA Business operated by you. Although we reserve the rights described, neither we nor any affiliate, operates, franchises or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those offered by you or our other Franchises;
4. to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or to be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with your Hounds Town USA Franchise, wherever located, provided that in such situations the newly acquired businesses will not operate under the Marks inside the Territory; and
5. to implement multi-area marketing programs that may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

You do not receive the right to acquire additional Hounds Town USA Franchises unless you purchase a Multi-2 or Multi-3 Franchise. You are not given a right of first refusal on the sale of new or existing Hounds Town USA Businesses. You may not engage in any promotional activities or market our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere.



The continuation of the Territory is not dependent upon your achievement of a certain sales volume, market penetration, or quota. We do not pay compensation for soliciting or accepting orders inside your Territory. As of the Issuance Date of this Franchise Disclosure Document, we do not sell anything directly to customers.

ITEM 13 TRADEMARKS

The Franchise Agreement and your payment of Royalties grant you the non-exclusive right and license to use the System, which includes the use of the Marks. We have registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Registered Mark	Registration Number	Registration Date	Register
	5,221,245	June 13, 2017	Registered on the Principal Register
	5,020,487	August 16, 2016	Registered on the Principal Register
HOUNDS TOWN USA	5,015,913	August 9, 2016	Registered on the Principal Register
“HOME TO THE MOST GIFTED DOGS ON EARTH!”	4,998,231	July 12, 2016	Registered on the Principal Register
	4,998,163	July 12, 2016	Registered on the Principal Register
HOME TO THE SMARTEST DOGS ON EARTH!	4,993,144	July 5, 2016	Registered on the Principal Register
HOME TO THE HAPPIEST DOGS ON EARTH!	4,993,142	July 5, 2016	Registered on the Principal Register
TURBO DOG TRAINING	4,918,285	March 15, 2016	Registered on the Principal Register
THE DISH ON DOGS	6,357,263	March 18, 2021	Registered on the Principal Register



Registered Mark	Registration Number	Registration Date	Register
WE DO IT FOR THE DOGS.	97676979	December 19, 2023	Registered on the Principal Register
	97788081	December 19, 2023	Registered on the Principal Register

~~We do not have federal registrations for our principal trademarks listed above. Therefore, our trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.~~

We filed a trademark assignment with the USPTO on April 18, 2022 following the merger of the recorded owner with us. 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, and no pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks. All required affidavits and renewals have been filed.

No agreement significantly limits our right to use or license the Marks in any manner material to the Hounds Town USA Business. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks. You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement and with a conspicuous sign in your Hounds Town USA Business that you are an independently owned and operated licensed franchisee of Hounds Town USA, LLC. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale or other disposition of the Hounds Town USA Business, or any interest in the franchise. All rights and goodwill from the use of the Marks accrue to us. If it becomes advisable, at any time, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your Hounds Town USA Business that you are an independently owned and operated licensed franchisee of Hounds Town USA, LLC. You may not use the Marks in the sale of unauthorized products or services, or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the Hounds Town USA Business, or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to us.

We will defend you against any claim brought against you by a third party that your use of the 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 Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us immediately if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop, and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

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

The information in the Franchise Brand Standards Manual is proprietary and is protected by copyright and other laws. The designs contained in the 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 Franchise Brand Standards Manual, 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 Works”) for the operation of your Hounds Town USA Franchise, but such copyrights remain our sole property.

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

Bite Me has applied for patent protection for the following patent with the USPTO:

Patent Title	Application Number	Application Date	Type	Status
Fence Attachment Assembly For Canine Containment	D/786048	May 28, 2021	Utility	Published November 21, 2023

~~Bite Me and our Me’s right to use or license the patents is not materially limited by any agreement or known infringing use. There are no agreements or claims of infringement which limit the use of our patents or pending patents.~~ Bite Me’s patents or pending patents. Bite Me manufactures the Shadow Stopper Package, a fencing containment product utilizing the pending patent. Bite Me does not license the patent to us and franchisees do not have a license to use the patent. We purchase the Shadow Stopper product from Bite Me and franchisees purchase the product from us. No patents or patents pending are material to us at this time.

Our Franchise Brand Standards Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures,



information, concepts and systems on, knowledge of, and experience in the development, operation, and franchising of Hounds Town USA Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Hounds Town USA Franchises, 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 Franchise Brand Standards Manual. 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.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Hounds Town USA Franchise during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours, and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Hounds Town USA Franchises during the term of the Franchise Agreement.

You must notify us within three 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 Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information, or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, 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 Works, Confidential Information, or Trade Secrets, or claim by any person of any rights in any Copyrighted Works, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, 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 Works, 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 Works, Confidential Information, or Trade Secrets.

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

The Hounds Town USA Franchise shall be managed by you, or if you are an entity, by one of your owners who is a natural person with at least a twenty-five percent (25%) ownership interest and voting power in the entity (“Managing Owner”). If you are a legal entity, one of your owners must attend Initial Training (it can be the Managing Owner) and must work in the Facility during the first 90 days of operation. Under certain circumstances, we may allow you to appoint a designated manager (“Designated Manager”) who is not required to have ownership interest in the entity, to run the day-to-day operations of the Hounds Town USA Franchise. If Franchisee appoints a Designated Manager, the Managing Owner will still be required to work in and the Hounds Town USA Business at least five days per week for the first 90 days after the opening date. If we allow you to appoint a Designated Manager, we must approve the Designated Manager and they must successfully complete our training program (See Item 11). If you replace a Designated Manager, the



new Designated Manager must meet our approval and satisfactorily complete our training program at your own expense.

Any Designated Manager and, if you are an entity, an officer that does not own equity in the franchisee entity must sign the System Protection Agreement, the form of which is attached to this Franchise Disclosure Document in Exhibit G. All of 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 System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit G. If you are an entity, each direct or indirect owner (i.e., each person holding a direct or indirect ownership interest in you) must sign an Owners Agreement guarantying the obligations of the entity, the form of which is attached to the Franchise Agreement as Attachment B. We also require that the spouses of the Franchise owners sign the Owners Agreement.

You may not employ any Designated Manager or appoint any Managing Owner who does not complete our Initial Training Program and Immersion Training Program to our satisfaction. If a Designated Manager's employment with you is terminated, and your Managing Owner will not manage your Facility, you must appoint a new Designated Manager who must successfully complete our Initial Training Program and Immersion Training Program 60 days after the termination of the former Designated Manager, unless we do not hold an Initial Training Program and/or Immersion Training Program during that 60-day period, in which case the replacement Designated Manager must attend and successfully complete the first available applicable training program held by us. You may be charged a training fee for a replacement Designated Manager or Managing Owner, and the travel expenses and salary and benefits must be paid by you (see Item 6). The factors used by us in determining whether you will be charged a training fee include the location of training, the length and type of training necessary, the costs borne by us in conducting the training, the replacement Designated Manager or Managing Owner's previous experience and skill, and our availability.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those services and products authorized by us and which meet our standards and specifications. You must follow our policies, procedures, methods, and techniques. You must sell or offer for sale all types of services and products specified by us. We may change or add to our required services and products at our discretion with prior notice to you (see Item 8). If we change or add to our required services and products, 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 services or products that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You may not establish an account or participate in any social networking sites, blogs, or mention or discuss the Hounds Town USA Franchise, 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 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 Hounds Town USA Business in accordance with our policies.



ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise term	Definitions Section	Ten years.
b. Renewal or extension of the term	Section 3.1	If you are in good standing and you meet other requirements, you may enter into two successor terms of ten years.
c. Requirements for Franchisee to renew or extend	Section 3.2	<p>The term “renewal” refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. You must provide notice; be in good standing; sign new Franchise Agreement; sign release; pay successor franchise fee; and meet our then-current requirements for franchisees, including providing proof of licenses, insurance and permits.</p> <p>Your successor franchise rights permit you to remain as a Franchisee after the initial term of your Franchise Agreement expires. You must sign our then-current 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, Royalties and Brand Fund contributions) from the Franchise Agreement that covered your initial term but the boundary of your Exclusive Territory will remain the same, and the fees on the renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.</p>
d. Termination by Franchisee	Section 17.4	<p>You may seek to terminate your Franchise Agreement on any ground permitted by law.</p> <p>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. All subject to applicable state law.</p>
e. Termination by franchisor without “cause”	Not Applicable	Not Applicable.
f. Termination by franchisor with “cause”	Section 17	We can terminate upon certain violations of the Franchise Agreement by you.



Provision	Section in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	Section 17.2	Failure to pay any money due and fails to cure in 10 days; 3 days to cure health, safety or sanitation law violations; and 30 days to cure any other default not listed as a non-curable default, including: failure to submit financial information or reports; failure to conduct local advertising; failure to maintain standards or procedures; and others.
h. "Cause" defined — non-curable defaults	Section 17.1	Failure to open; abandon Hounds Town USA Business; conviction of a felony, fraud, a crime involving moral turpitude, theft, burglary; threat to public health or safety; unapproved transfer; failure to comply with in-term covenants; failure to satisfactorily complete training program; disclosure of confidential information; repeated defaults; bankruptcy, insolvency or appointment of receiver; material judgement not cured or discharged; misstatement of earnings or failure to file report; unauthorized product sales; misrepresentation or violation of anti-terrorism laws; intentional or negligent mistreatment of animals; and others.
i. Franchisee's obligations on termination/non-renewal	Sections 14.2, 14.3 and 17.9	Obligations include complete de-identification; payment of amounts due; and return of confidential Franchise Brand Standards Manual, all Confidential Information, Trade Secrets, and records; assign lease;
j. Assignment of contract by Franchisor	Section 15.1	No restriction on our right to assign.
k. "Transfer" by Franchisee – defined	Section 15.4	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.
l. Franchisor approval of transfer by Franchisee	Section 15.7	We have the right to approve all transfers.
m. Conditions for Franchisor approval of transfer	Section 15.7	The new owner must have sufficient business experience and financial resources to operate the Franchise; you must be in full compliance; you must pay all amounts due; new owner completes the Initial Training Program and Immersion Training Program; your landlord must consent to transfer of lease; you must pay transfer fee; you must sign a general release in favor of us; new owner provides all required financial documents for review; guarantee of performance executed; landlord consents; new owner must agree to bring the Hounds Town USA Business up to current standards; new owner signs a new franchise agreement in the then-current form; reimburse us for all costs of transfer, including broker fees; you have given us the opportunity to exercise our right of first refusal; you must sign a



Provision	Section in Franchise Agreement	Summary
		non-compete agreement not to engage in a competitive business for two years within: (i) a 25-mile radius of your Hounds Town USA Business (and including the premises of the Hounds Town USA Business); and (ii) a 25-mile radius of all other Hounds Town USA Businesses that are operating or under construction.
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 16	We have 15 days to match any offer for your Hounds Town USA Business.
o. Franchisor's option to purchase Franchisee's business	Section 16	We may, but are not required to, purchase your Hounds Town USA Franchise, inventory, or equipment at fair market value if your Franchise is terminated for any reason by giving you written notice of our intent to exercise this option within 30 days after the date of termination or expiration of the Franchise Agreement.
p. Death or disability of Franchisee	Section 15.9	The Franchise Agreement must be transferred or assigned to a qualified party within 180 days of death or disability or the Franchise Agreement may be terminated. Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 calendar days of your death or disability.
q. Non-competition covenants during the term of the Franchise	Sections 14.2 and 14.3	Neither you, your principal owners, nor any immediate family members of you or your principal owners may participate in a diverting business, have no owning interest in, loan money to, or perform services for a competitive business anywhere; you may not interfere with our or our other franchisees' Hounds Town USA Franchise(s), subject to applicable state law.
r. Non-competition covenants after the Franchise is terminated or expires	Section 14.2	Owners cannot have an interest in, own, manage, operate, finance, control, or participate in any competitive business for two years after termination, within: (i) a 25-mile radius of your Hounds Town USA Business (and including the premises of the Hounds Town USA Business); and (ii) a 25-mile radius from all other Hounds Town USA Businesses that are operating or under construction, subject to applicable state law.
s. Modification of agreement	Section 21	No modifications of the Franchise Agreement during the term unless agreed to in writing, but the Franchise Brand Standards Manual is subject to change at any time in our discretion. Modifications are permitted on renewal.
t. Integration/merger clause	Section 21	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.



Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 20	Except for certain claims, all disputes must be mediated and arbitrated in <u>Denver, Colorado (or if we choose, the principal city closest to our principal place of business (– currently, Orlando, Florida), subject to applicable state law. Prior to mediating or arbitrating any claims or disputes you will participate in our informal dispute resolution procedures and attend an in-person meeting with one of our representatives in Denver, Colorado, or another location we choose. In the event you attend and participate in our informal dispute resolution process, we will reimburse one attendee for their airfare, lodging and food costs while attending the informal dispute resolution meeting, up to a maximum of \$750 per day for up to two days.</u>
v. Choice of forum	Section 20	Except for certain claims, all disputes must be mediated, and arbitrated, in <u>Denver, Colorado (or if we chose, and if applicable, litigated in the principal city closest to our principal place of business - currently Orlando, Florida), and if applicable, litigated in the principal city closest to our principal place of business (currently Orlando, Florida), subject to applicable state law.</u>
w. Choice of law	Section 21	Florida law applies, subject to applicable state law.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of December 31, ~~2024~~2023, there were ~~54 franchised~~76 Hounds Town USA Businesses open and operating, 75 franchised (“Franchised Locations”) and one affiliate-owned Hounds Town USA Business (“Affiliate Location”) for a total of 55 Hounds Town Businesses opened.”) The following tables and accompanying footnotes contain historical financial performance representations for the ~~365~~1 Franchised Locations and one Affiliate Location that had been open for at least 12 months as of December 31, ~~2024~~2023 (“Reporting Group”). ~~Seventeen~~23 Franchised Locations had not been open for at least 12 months as of



December 31, 2024. These 23 locations~~2023, and~~ have been excluded from the Reporting Group. -One other location, Store 0055, receives revenue from a partnership with a local shelter.- This revenue is an anomaly and increases their revenue significantly. It does not reflect the typical Hounds Town USA business and has been excluded.

The following chart illustrates our Reporting Group:

<u>2024 REPORTING GROUP</u>					
<u>FRANCHISED LOCATIONS</u>	<u>AFFILIATE LOCATION</u>	<u>TOTAL OPEN AS OF DEC 31, 2024</u>	<u>NOT OPEN AT LEAST 12 MONTHS</u>	<u>PARTNERSHIP WITH SHELTER</u>	<u>TOTAL IN REPORTING GROUP (FRANCHISED AND AFFILIATE)</u>
<u>75</u>	<u>1</u>	<u>76</u>	<u>-23</u>	<u>-1</u>	<u>52</u>

The Affiliate Location has been open for over 20 years and benefits from brand recognition in Ronkonkoma, New York, and surrounding areas. -Franchised Hounds Town USA Businesses will share many characteristics as the Affiliate Location, including the degree of competition and services and goods offered. The Affiliate Location pays Royalties and Brand Fund Contributions and will pay the Technology Fee and Local Advertising Management Fee ~~once implemented~~, but it is not subject to the Local Advertising Requirement.

The Reporting Group is divided into subsets by Years open to provide as detailed information as possible:

<u>REPORTING GROUP SUBSETS</u>	
<u>OPEN 10+ YEARS</u>	<u>2 LOCATIONS (1 AFFILIATE – 1 FRANCHISED)</u>
<u>OPEN 5+ YEARS (OPENED BEFORE DEC 31ST 2019)</u>	<u>7 FRANCHISED LOCATIONS</u>
<u>OPEN 3-5 YEARS (OPENED BETWEEN JAN 1ST 2020 AND DEC 31ST 2021)</u>	<u>10 FRANCHISED LOCATIONS</u>
<u>OPEN 2-3 YEARS (OPENED BETWEEN JAN 1ST 2022 AND DEC 31ST 2022)</u>	<u>16 FRANCHISED LOCATIONS</u>
<u>OPEN 1-2 YEARS (OPENED BETWEEN JAN 1ST 2023 AND DEC 31ST 2023)</u>	<u>17 FRANCHISED LOCATIONS</u>
<u>TOTAL IN REPORTING GROUP</u>	<u>52 (1 AFFILIATE / 51 FRANCHISED)</u>

Tables 1 and 2 present the ~~net revenue~~Net Revenue and ~~year-Year over-year~~ Year sales growth of the Reporting Group for the ~~2021, 2022, 2023,~~ and 2024 Calendar Years.

~~2023 calendar years.~~ Tables 3 and 4 provide data regarding ~~daycare, boarding, total occupancy~~Daycare, Boarding, Spa, and average check of the Reporting Group. Table 5 divides the Reporting Group into subsets based on the maturity of the Hounds Town USA Businesses. Other Revenue as well as Daycare Occupancy, Boarding Occupancy, Total Occupancy, and Daycare Average Check, Boarding Average Check, and Average Check for the Reporting Group.

Tables 5 and 6 through 11 provide the net revenue, COGS, gross profit, expenses, and net income provide a



pie chart illustrating the Net Revenue as a Percent Breakdown by Revenue Category and Occupancy (Daycare and Boarding Counts) as a Percent Breakdown of Total Occupancy for the Reporting Group.

Table 7 provides the Average Net Revenue, Average Year Over Year Sales, Median Net Revenue, Median Year over Year Sales, Average and Median Average Check, as well as the Highest and Lowest Net Revenue and Average Check.

Tables 8-13 provide the Net Revenue, COGS, Gross Profit, Expenses, and Net Income for the Reporting Group for the 2024 Calendar Year.

For Tables 8 and 9 we ~~2023~~ calendar year. We requested the financial information from all Franchised Locations in the Reporting Group. We received information from all of those Franchised Locations except from Store 032. Because of this, this location's financial information was not included in Table 11. We obtained the numbers for the Affiliate Location from internal accounting records. -The figures have not been audited, but we have no reason to doubt their accuracy.

For Tables 10-113 we requested the financial information from all Franchised Locations in the Reporting Group to be provided by February 15th, 2025. The following locations were excluded:

Store 24 – Part of a Resale

Store 35 – Part of a Resale

Store 45 – Did not submit completed financials by the Feb 15th deadline

Store 49 - Did not submit completed financials by the Feb 15th deadline

Store 55 - Did not submit completed financials by the Feb 15th deadline

For stores 24 and 35, resales would require combining financial reporting from two different ownership groups often mid-month, contributing to inaccurate financials for the calendar year.

For Stores 45,49, and 55 that did not submit completed financials by the Feb 15th deadline,

For purposes of this Item 19, the term “Net Revenue” means the total selling price, excluding sales taxes, discounts and promotions of all products and services sold at, from, or through the Affiliate Location whether or not sold or performed at or from the Affiliate Location, including the full redemption value of any voucher or coupon sold for use at the Hounds Town USA Business (fees retained by or paid to third-party sellers of such vouchers or coupons are not excluded from this calculation).

TABLE 1

Net Revenue, Year-over-Year Sales Growth for the Affiliate Location During Calendar Years ~~2021-2022-2024~~**2023**

TABLE 1						
NET REVENUE, YEAR OVER YEAR SALES GROWTH FOR THE AFFILIATE LOCATION DURING CALENDAR YEARS 2021-2023						
OPEN 10+ YEARS						
STORE #	DATE OPEN	NET REVENUE			2021 TO 2022 YOY SALES GROWTH	2022 TO 2023 YOY SALES GROWTH
		2021	2022	2023		
001	JAN 2004	\$932,858	\$957,436	\$1,079,556	2.63%	12.75%



TABLE 1

NET REVENUE, YEAR OVER YEAR SALES GROWTH FOR THE AFFILIATE LOCATION DURING CALENDAR YEARS 2022-2024

OPEN 10 + YEARS - 1 AFFILIATE LOCATION

STORE #	DATE OPEN	NET REVENUE			2022 TO 2023 YOY SALES GROWTH	2023 TO 2024 YOY SALES GROWTH
		2022	2023	2024		
1	JAN 2004	\$957,436	\$1,079,556	\$1,109,900	12.75%	2.81%



TABLE 2

Net Revenues, Year-Over-Year Sales Growth for the Franchised Locations in the Reporting Group During Calendar Years 2021-2022-2024

TABLE 2						
NET REVENUE, YEAR OVER YEAR SALES GROWTH FOR FRANCHISED LOCATIONS IN THE REPORTING GROUP DURING CALENDAR YEARS 2022-2024						
STORE #	DATE OPEN	NET REVENUE			2021 TO 2022 YOY SALES GROWTH	2022 TO 2023 YOY SALES GROWTH
		2022	2023	2024		
2	APRIL 2012	\$1,329,089	\$1,446,366	\$1,407,458	8.82%	-2.68%
OPEN 4+ YEARS (OPENED BEFORE DECEMBER 31ST 2019) - 7 FRANCHISED LOCATIONS						
3	MARCH 2017	\$998,916	\$989,919	\$954,754	-0.90%	-3.59%
4	SEPT 2017	\$822,097	\$878,026	\$939,409	6.80%	6.99%
6	JULY 2018	\$725,372	\$790,464	\$839,395	8.97%	6.19%
7	APRIL 2019	\$954,573	\$1,081,507	\$1,071,256	13.30%	-0.95%
8	APRIL 2019	\$1,252,442	\$1,355,440	\$1,349,576	8.22%	-0.43%
9	OCT 2019	\$606,076	\$585,888	\$558,913	-3.33%	-4.60%
10	DEC 2019	\$473,750	\$572,956	\$726,658	20.94%	26.83%
OPEN 3-5 YEARS (OPENED BETWEEN JANUARY 1ST 2020 AND DECEMBER 31ST 2021) - 13 FRANCHISED LOCATIONS						
11	JUNE 2020	\$510,858	\$553,717	\$511,642	8.39%	-1.60%
12	JUNE 2020	\$556,476	\$603,340	\$572,725	8.42%	-5.07%
14	NOV 2020	\$642,685	\$691,928	\$743,308	7.66%	7.43%
15	NOV 2020	\$688,591	\$813,149	\$927,182	18.09%	14.02%
16	JAN 2021	\$677,324	\$662,712	\$777,641	-2.19%	17.34%
17	MARCH 2021	\$552,650	\$530,150	\$552,960	-4.07%	4.30%
18	JUNE 2021	\$372,797	\$457,540	\$523,122	22.73%	14.33%
19	AUG 2021	\$485,044	\$632,275	\$703,993	30.35%	11.34%
20	DEC 2021	\$690,371	\$927,261	\$1,081,531	34.31%	16.64%
21	DEC 2021	\$192,608	\$265,121	\$334,350	37.65%	26.11%
OPEN 2-3 YEARS (OPENED BETWEEN JANUARY 1ST 2022 AND DECEMBER 31ST 2022) - 16 FRANCHISED LOCATIONS						
22	JAN 2022		\$488,120	\$554,919		13.68%
23	FEB 2022		\$442,240	\$374,107		-15.91%
24	MARCH 2022		\$281,700	\$277,457		-1.51%
25	APRIL 2022		\$665,263	\$719,610		8.17%
27	APRIL 2022		\$543,123	\$717,032		32.02%
28	MAY 2022		\$494,381	\$574,725		16.25%
29	MAY 2022		\$449,093	\$546,126		21.61%
30	JUNE 2022		\$393,970	\$481,247		22.15%
31	JUNE 2022		\$277,477	\$361,229		30.18%
32	AUG 2022		\$283,203	\$365,147		28.93%
33	AUG 2022		\$368,832	\$535,301		45.13%
34	SEPT 2022		\$475,432	\$585,302		23.11%
35	NOV 2022		\$295,426	\$323,761		9.59%
36	NOV 2022		\$373,342	\$733,878		96.57%
37	DEC 2022		\$280,087	\$395,559		41.23%
38	DEC 2022		\$357,224	\$538,440		50.73%
OPEN 1-2 YEARS (OPENED BETWEEN JANUARY 1ST 2023 AND DECEMBER 31ST 2023) - 17 FRANCHISED LOCATIONS						
39	JAN 2023			\$330,267		
40	JAN 2023			\$528,198		
41	FEB 2023			\$473,578		
42	MARCH 2023			\$287,618		
43	APRIL 2023			\$753,707		
44	MAY 2023			\$491,444		
45	MAY 2023			\$78,112		
46	JUNE 2023			\$346,465		
47	JULY 2023			\$286,721		
48	JULY 2023			\$308,853		
49	AUG 2023			\$115,238		
50	SEPT 2023			\$248,130		
51	OCT 2023			\$286,946		
52	NOV 2023			\$346,373		
53	NOV 2023			\$170,021		
54	NOV 2023			\$319,191		
55	DEC 2023			\$78,366		

TABLE 2						
NET REVENUE, YEAR OVER YEAR SALES GROWTH FOR FRANCHISED LOCATIONS IN THE REPORTING GROUP DURING CALENDAR YEARS 2021-2023						
OPEN 10 + YEARS						
STORE #	DATE OPEN	NET REVENUE			2021 TO 2022 YOY SALES GROWTH	2022 TO 2023 YOY SALES GROWTH
		2021	2022	2023		
002	APRIL 2012	\$1,090,820	\$1,329,089	\$1,446,366	21.84%	8.82%
OPEN 5+ YEARS (OPENED BEFORE DECEMBER 31ST 2018)						
003	MARCH 2017	\$722,553	\$998,916	\$989,919	38.25%	-0.90%
004	SEPT 2017	\$740,410	\$822,097	\$878,026	11.03%	6.80%
006	JULY 2018	\$519,599	\$725,372	\$790,464	39.60%	8.97%
OPEN 3-5 YEARS (OPENED BETWEEN JANUARY 1ST 2019 AND DECEMBER 31ST 2020)						
007	APRIL 2019	\$646,032	\$954,573	\$1,081,507	47.76%	13.30%
008	APRIL 2019	\$928,675	\$1,252,442	\$1,355,440	34.86%	8.22%
009	OCT 2019	\$481,305	\$606,076	\$585,888	25.92%	-3.33%
010	DEC 2019	\$302,976	\$473,750	\$572,956	56.37%	20.94%
011	JUNE 2020	\$384,333	\$510,858	\$553,717	32.92%	8.39%
012	JUNE 2020	\$353,776	\$556,476	\$603,340	57.30%	8.42%
013	OCT 2020	\$352,160	\$580,865	\$544,954	64.94%	-6.18%
014	NOV 2020	\$407,351	\$642,685	\$691,928	57.77%	7.66%
015	NOV 2020	\$553,179	\$688,591	\$813,149	24.48%	18.09%
OPEN 2-3 YEARS (OPENED BETWEEN JANUARY 1ST 2021 AND DECEMBER 31ST 2021)						
016	JAN 2021		\$677,324	\$662,712		-2.16%
017	MARCH 2021		\$552,650	\$530,150		-4.07%
018	JUNE 2021		\$372,797	\$457,540		22.73%
019	AUG 2021		\$485,044	\$632,275		30.35%
020	DEC 2021		\$690,371	\$927,261		34.31%
021	DEC 2021		\$192,608	\$265,121		37.65%
OPEN 1-2 YEARS (OPENED BETWEEN JANUARY 1ST 2022 AND DECEMBER 31ST 2022)						
022	JAN 2022			\$488,120		
023	FEB 2022			\$442,240		
024	MARCH 2022			\$281,700		
025	APRIL 2022			\$665,263		
026	APRIL 2022			\$167,424		
027	APRIL 2022			\$543,123		
028	MAY 2022			\$494,381		
029	MAY 2022			\$449,093		
030	JUNE 2022			\$393,970		
031	JUNE 2022			\$277,477		
032	AUG 2022			\$283,203		
033	AUG 2022			\$368,832		
034	SEPT 2022			\$475,432		
035	NOV 2022			\$295,426		
036	NOV 2022			\$373,342		
037	DEC 2022			\$280,087		
038	DEC 2022			\$357,224		



Notes to Tables 1 and 2:

1. “YOY Sales Growth” refers to the year-over-year calculation of the percentage change for the Net Revenue of each Hounds Town USA Business in the Reporting Group when comparing two calendar years.
2. The financial performance representations in Tables 1 and 2 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Net Revenue figures to obtain your net income or profit. You should conduct an independent investigation of the costs and -expenses you will incur in operating your franchised business. Franchisees or former franchisees,- listed in the Disclosure Document, may be one source of this information.

TABLE 3

Annual Daycare, Boarding, Spa, and Other Revenue. Daycare, Boarding, and Total Occupancy, ~~and~~ with Average Check for the Affiliate Location in the Calendar Year ~~2023~~2024

TABLE 3						
ANNUAL DAYCARE, BOARDING, AND AVERAGE CHECK FOR THE AFFILIATE LOCATION IN CALENDAR YEAR 2023						
STORE #	DATE OPEN	NET REVENUE	DAYCARE	BOARDING	TOTAL 2023 OCCUPANCY	AVERAGE CHECK
OPEN 10 + YEARS						
001	JAN 2004	\$1,079,556	12,886	9,211	22,097	\$48.86

TABLE 3										
ANNUAL DAYCARE, BOARDING, SPA AND OTHER REVENUE. DAYCARE, BOARDING, AND TOTAL OCCUPANCY WITH AVERAGE CHECK FOR THE AFFILIATE LOCATION IN CALENDAR YEAR 2024										
OPEN 10 + YEARS - 1 AFFILIATE LOCATION										
STORE #	DATE OPEN	NET REVENUE	DAYCARE REVENUE	BOARDING REVENUE	SPA REVENUE	OTHER REVENUE	DAYCARE OCCUPANCY	BOARDING OCCUPANCY	TOTAL 2024 OCCUPANCY	AVERAGE CHECK
I	JAN 2004	\$1,109,900	\$434,328	\$484,815	\$156,632	\$34,125	12,726	8,224	20,950	\$52.98



TABLE 4

Annual Daycare, Boarding, Spa, and Other Revenue with Daycare, Boarding, and Total Occupancy, and with Average Check for the **Franchised Locations** in Reporting Group in the Calendar Year 2024

TABLE 4												
ANNUAL DAYCARE, BOARDING, SPA AND OTHER REVENUE, DAYCARE, BOARDING, AND TOTAL OCCUPANCY WITH AVERAGE CHECK FOR THE REPORTING GROUP IN CALENDAR YEAR 2024												
OPEN 10+ YEARS (1 FRANCHISED LOCATION)												
STORE #	DATE OPEN	NET REVENUE	DAYCARE REVENUE	BOARDING REVENUE	SPA REVENUE	OTHER REVENUE	DAYCARE OCCUPANCY	BOARDING OCCUPANCY	TOTAL 2024 OCCUPANCY	DAYCARE AVERAGE CHECK	BOARDING AVERAGE CHECK	AVERAGE CHECK
2	APRIL 2012	\$1,407,458	\$575,596	\$650,751	\$135,982	\$45,128	17,026	10,821	27,847	\$34	\$60	\$51
OPEN 5+ YEARS (OPENED BEFORE DECEMBER 31ST 2019) - 7 FRANCHISED LOCATIONS												
STORE #	DATE OPEN	NET REVENUE	DAYCARE REVENUE	BOARDING REVENUE	SPA REVENUE	OTHER REVENUE	DAYCARE OCCUPANCY	BOARDING OCCUPANCY	TOTAL 2024 OCCUPANCY	DAYCARE AVERAGE CHECK	BOARDING AVERAGE CHECK	AVERAGE CHECK
3	MARCH 2017	\$954,754	\$362,085	\$483,219	\$98,947	\$10,503	11,522	7,795	19,317	\$31	\$62	\$49
4	SEPT 2017	\$939,409	\$348,700	\$471,793	\$80,324	\$38,592	11,601	8,092	19,693	\$30	\$58	\$48
6	JULY 2018	\$839,395	\$314,796	\$456,410	\$48,681	\$19,508	10,545	8,238	18,783	\$30	\$55	\$45
7	APRIL 2019	\$1,071,256	\$460,435	\$514,083	\$63,708	\$33,030	13,849	9,658	23,507	\$33	\$53	\$46
8	APRIL 2019	\$1,349,576	\$546,450	\$651,258	\$107,182	\$44,685	12,751	15,571	28,322	\$43	\$42	\$48
9	OCT 2019	\$558,913	\$261,527	\$271,452	\$23,437	\$2,497	9,013	5,883	14,896	\$29	\$46	\$38
10	DEC 2019	\$726,658	\$323,598	\$336,224	\$47,690	\$19,147	10,888	6,436	17,324	\$30	\$52	\$42
OPEN 3-5 YEARS (10 FRANCHISED LOCATIONS)												
STORE #	DATE OPEN	NET REVENUE	DAYCARE REVENUE	BOARDING REVENUE	SPA REVENUE	OTHER REVENUE	DAYCARE OCCUPANCY	BOARDING OCCUPANCY	TOTAL 2024 OCCUPANCY	DAYCARE AVERAGE CHECK	BOARDING AVERAGE CHECK	AVERAGE CHECK
11	JUNE 2020	\$511,642	\$149,930	\$272,658	\$75,333	13,721	6,421	5,571	11,992	\$23	\$49	\$43
12	JUNE 2020	\$572,725	\$181,057	\$334,715	\$48,731	8,222	6,721	7,900	14,621	\$27	\$42	\$39
14	NOV 2020	\$743,308	\$220,767	\$448,735	\$70,224	3,582	7,770	8,702	16,472	\$28	\$52	\$45
15	NOV 2020	\$927,182	\$406,929	\$403,981	\$95,493	20,778	13,718	7,767	21,485	\$30	\$52	\$43
16	JAN 2021	\$777,643	\$269,074	\$407,541	\$80,552	20,474	9,484	7,842	17,326	\$28	\$52	\$45
17	MARCH 2021	\$552,960	\$158,098	\$360,889	\$25,513	8,460	4,281	5,867	10,148	\$37	\$62	\$54
18	JUNE 2021	\$523,122	\$208,563	\$272,588	\$37,788	4,183	8,231	5,055	13,286	\$25	\$54	\$39
19	AUG 2021	\$703,993	\$323,388	\$298,722	\$36,050	45,833	10,982	5,102	16,084	\$29	\$59	\$44
20	DEC 2021	\$1,081,531	\$397,044	\$543,649	\$113,208	27,630	11,603	9,713	20,316	\$34	\$62	\$53
21	DEC 2021	\$334,350	\$112,142	\$185,427	\$29,930	6,851	4,418	4,775	9,193	\$25	\$39	\$36
OPEN 2-3 YEARS (16 FRANCHISED LOCATIONS)												
STORE #	DATE OPEN	NET REVENUE	DAYCARE REVENUE	BOARDING REVENUE	SPA REVENUE	OTHER REVENUE	DAYCARE OCCUPANCY	BOARDING OCCUPANCY	TOTAL 2024 OCCUPANCY	DAYCARE AVERAGE CHECK	BOARDING AVERAGE CHECK	AVERAGE CHECK
22	JAN 2022	\$554,919	\$271,489	\$216,296	\$62,778	\$4,357	9,255	5,098	14,353	\$29	\$42	\$39
23	FEB 2022	\$374,107	\$126,095	\$216,966	\$24,719	\$6,328	4,770	4,752	9,522	\$26	\$46	\$39
24	MARCH 2022	\$177,457	\$82,827	\$177,949	\$15,596	\$1,086	3,175	3,891	7,066	\$26	\$46	\$39
25	APRIL 2022	\$719,610	\$297,352	\$360,965	\$56,007	\$5,257	10,183	6,620	16,803	\$29	\$55	\$43
27	APRIL 2022	\$717,032	\$269,105	\$351,454	\$75,365	\$21,107	9,581	7,490	17,071	\$28	\$47	\$42
28	MAY 2022	\$574,725	\$138,414	\$373,494	\$37,951	\$24,866	5,183	7,808	12,991	\$27	\$48	\$44
29	MAY 2022	\$546,126	\$212,054	\$280,805	\$40,299	\$12,967	8,578	6,009	14,587	\$25	\$47	\$37
30	JUNE 2022	\$481,247	\$192,053	\$223,367	\$53,917	\$11,910	6,737	4,564	11,301	\$29	\$49	\$43
31	JUNE 2022	\$361,229	\$109,476	\$211,888	\$29,749	\$10,116	3,677	7,305	10,982	\$30	\$29	\$33
32	AUG 2022	\$365,147	\$111,925	\$222,190	\$19,668	\$11,364	3,145	3,806	6,951	\$36	\$58	\$53
33	AUG 2022	\$535,301	\$186,250	\$294,951	\$40,372	\$13,728	7,114	6,604	13,718	\$26	\$45	\$39
34	SEPT 2022	\$585,302	\$305,332	\$238,395	\$29,498	\$12,077	9,352	4,433	13,785	\$33	\$54	\$42
35	NOV 2022	\$323,761	\$116,507	\$193,660	\$11,224	\$2,370	3,785	3,897	7,682	\$31	\$50	\$42
36	NOV 2022	\$733,878	\$310,986	\$330,925	\$38,129	\$53,838	7,376	5,182	12,558	\$42	\$64	\$58
37	DEC 2022	\$395,559	\$103,035	\$244,089	\$36,667	\$11,768	3,669	5,487	9,156	\$28	\$44	\$43
38	DEC 2022	\$538,440	\$241,933	\$261,194	\$28,953	\$6,361	7,785	4,350	12,135	\$31	\$60	\$44



TABLE 4 (CONTINUED)

Annual Daycare, Boarding, Spa, and Other Revenue with Daycare, Boarding, and Total Occupancy with Average Check for the Reporting Group in the Calendar Year ~~2023~~2024



TABLE 4						
ANNUAL DAYCARE, BOARDING, AND AVERAGE CHECK FOR THE REPORTING GROUP IN CALENDAR YEAR 2023						
STORE #	DATE OPEN	NET REVENUE	DAYCARE	BOARDING	TOTAL 2023 OCCUPANCY	AVERAGE CHECK
OPEN 10 + YEARS (ONE AFFILIATE LOCATION & ONE FRANCHISED LOCATION)						
002	APRIL 2012	\$1,446,366	19,348	11,584	30,932	\$46.76
OPEN 5 + YEARS (3 FRANCHISED LOCATIONS)						
003	MARCH 2017	\$989,919	12,367	9,460	21,827	\$45.35
004	SEPT 2017	\$878,026	13,227	7,701	20,928	\$41.95
006	JULY 2018	\$790,464	11,004	8,504	19,508	\$40.52
OPEN 3-5 YEARS (9 FRANCHISED LOCATIONS)						
007	APRIL 2019	\$1,081,507	15,577	9,839	25,416	\$42.55
008	APRIL 2019	\$1,355,440	14,448	16,056	30,504	\$44.43
009	OCT 2019	\$585,888	11,168	6,735	17,903	\$32.73
010	DEC 2019	\$572,956	8,304	6,262	14,566	\$39.34
011	JUNE 2020	\$553,717	7,567	6,422	13,989	\$39.58
012	JUNE 2020	\$603,340	7,629	7,867	15,496	\$38.94
013	OCT 2020	\$544,954	7,358	4,667	12,025	\$45.32
014	NOV 2020	\$691,928	8,018	9,067	17,085	\$40.50
015	NOV 2020	\$813,149	13,172	6,924	20,096	\$40.46
OPEN 2-3 YEARS (6 FRANCHISED LOCATIONS)						
016	JAN 2021	\$662,712	8,676	6,821	15,497	\$42.76
017	MARCH 2021	\$530,150	4,745	6,184	10,929	\$48.51
018	JUNE 2021	\$457,540	8,313	5,572	13,885	\$32.95
019	AUG 2021	\$632,275	11,126	5,349	16,475	\$38.38
020	DEC 2021	\$927,261	10,584	8,294	18,878	\$49.12
021	DEC 2021	\$265,121	3,505	3,725	7,230	\$36.67
OPEN 1-2 YEARS (17 FRANCHISED LOCATIONS)						
022	JAN 2022	\$488,120	8,254	4,258	12,512	\$39.01
023	FEB 2022	\$442,240	6,112	6,263	12,375	\$35.74
024	MARCH 2022	\$281,700	4,678	4,851	9,529	\$29.56
025	APRIL 2022	\$665,263	9,678	5,812	15,490	\$42.95
026	APRIL 2022	\$167,424	3,923	1,688	5,611	\$29.84
027	APRIL 2022	\$543,123	8,159	5,942	14,101	\$38.52
028	MAY 2022	\$494,381	5,248	6,598	11,846	\$41.73
029	MAY 2022	\$449,093	6,992	5,802	12,794	\$35.10
030	JUNE 2022	\$393,970	6,339	3,767	10,106	\$38.98
031	JUNE 2022	\$277,477	2,821	4,203	7,024	\$39.50
032	AUG 2022	\$283,203	2,306	3,315	5,621	\$50.38
033	AUG 2022	\$368,832	4,890	4,856	9,746	\$37.84
034	SEPT 2022	\$475,432	8,380	3,883	12,263	\$38.77
035	NOV 2022	\$295,426	3,560	3,384	6,944	\$42.54
036	NOV 2022	\$373,342	3,594	2,809	6,403	\$58.31
037	DEC 2022	\$280,087	2,981	3,170	6,151	\$45.54
038	DEC 2022	\$357,224	5,612	3,097	8,709	\$41.02



OPEN 1-2 YEARS (17 FRANCHISED LOCATIONS)												
STORE #	DATE OPEN	NET REVENUE	DAYCARE REVENUE	BOARDING REVENUE	SPA REVENUE	OTHER REVENUE	DAYCARE OCCUPANCY	BOARDING OCCUPANCY	TOTAL 2024 OCCUPANCY	DAYCARE AVERAGE CHECK	BOARDING AVERAGE CHECK	AVERAGE CHECK
39	JAN 2023	\$330,267	\$124,861	\$175,602	\$31,722	\$8,082	4,547	4,100	8,647	\$27	\$43	\$38
40	JAN 2023	\$528,198	\$218,104	\$260,681	\$37,692	\$11,721	7,673	5,645	13,318	\$28	\$46	\$40
41	FEB 2023	\$473,578	\$239,025	\$204,510	\$26,875	\$3,167	9,288	4,851	14,139	\$26	\$42	\$33
42	MARCH 2023	\$287,618	\$61,466	\$196,277	\$22,638	\$7,237	2,539	4,485	7,024	\$24	\$44	\$41
43	APRIL 2023	\$753,707	\$255,578	\$436,244	\$52,391	\$9,494	8,813	8,001	16,874	\$29	\$54	\$45
44	MAY 2023	\$491,444	\$195,664	\$250,839	\$37,107	\$7,833	6,147	5,263	11,410	\$32	\$48	\$43
45	MAY 2023	\$78,112	\$18,931	\$57,302	\$1,809	-\$20	710	1,142	1,852	\$27	\$50	\$42
46	JUNE 2023	\$346,465	\$131,941	\$146,724	\$50,584	\$17,216	4,231	3,271	7,502	\$31	\$45	\$46
47	JULY 2023	\$286,721	\$145,652	\$125,916	\$14,808	\$345	5,665	2,376	8,041	\$26	\$53	\$36
48	JULY 2023	\$303,853	\$99,945	\$164,714	\$35,893	\$3,300	3,325	3,200	6,525	\$30	\$51	\$47
49	AUG 2023	\$115,238	\$30,409	\$70,813	\$11,327	\$2,689	1,655	1,455	3,110	\$18	\$49	\$37
50	SEPT 2023	\$248,130	\$78,095	\$140,094	\$22,729	\$7,211	2,259	2,532	4,791	\$35	\$55	\$52
51	OCT 2023	\$286,946	\$118,574	\$138,062	\$24,462	\$5,848	3,681	2,376	6,057	\$32	\$58	\$47
52	NOV 2023	\$346,373	\$178,431	\$136,353	\$27,194	\$4,396	4,393	1,869	6,262	\$41	\$73	\$55
53	NOV 2023	\$170,021	\$66,483	\$87,517	\$12,213	\$1,808	2,051	1,629	3,680	\$32	\$54	\$46
54	NOV 2023	\$319,191	\$110,142	\$184,844	\$19,222	\$4,984	3,207	3,712	6,919	\$34	\$50	\$46
55	DEC 2023	\$78,366	\$32,658	\$34,756	\$10,635	\$317	1,469	960	2,429	\$21	\$36	\$32

Notes to Table 3 and 4:

1. “Net Revenue” is defined above.
2. “Daycare, Boarding, Spa, and Other Revenue” is a breakdown of total Net Revenue by Revenue Type.
- 2.3. “Daycare and Boarding Occupancy” refers to the ~~total number of dogs utilizing a Hounds Town USA Business for daycare services during calendar year 2023.~~ for the 2024 Calendar Year for those categories.
3. “Boarding” refers to the ~~total number of dogs utilizing a Hounds Town USA Business for boarding services during calendar year 2023.~~
4. “Total 2023/2024 Occupancy” refers to the total number of customers/dogs that sought boarding and/or daycare services during ~~calendar year 2023.~~ the 2024 Calendar Year.
5. “Daycare and Boarding Average Check” is calculated by dividing the Category Revenue by the Category Occupancy (e.g., Daycare Revenue/Daycare Occupancy).
- 5-6. “Average Check” is calculated by dividing Net Revenue by Total Occupancy.
- 6-7. The daycare, boarding, and total occupancy numbers represented in Tables 3 and 4 are historical numbers from the fiscal year ~~2023/2024~~, and your individual results may differ.- Several factors contribute to these numbers, such as, but not limited to, the size of the facility and your ability to execute our dog management approach.



TABLE

7. ~~The Average Check is driven by your pricing strategy and ability to upsell.~~



TABLE 5

5

Net Revenue as a Percent Breakdown by Revenue Category and Occupancy as a Percent Breakdown of Total Occupancy for the Affiliate Location in the Calendar Year 2024

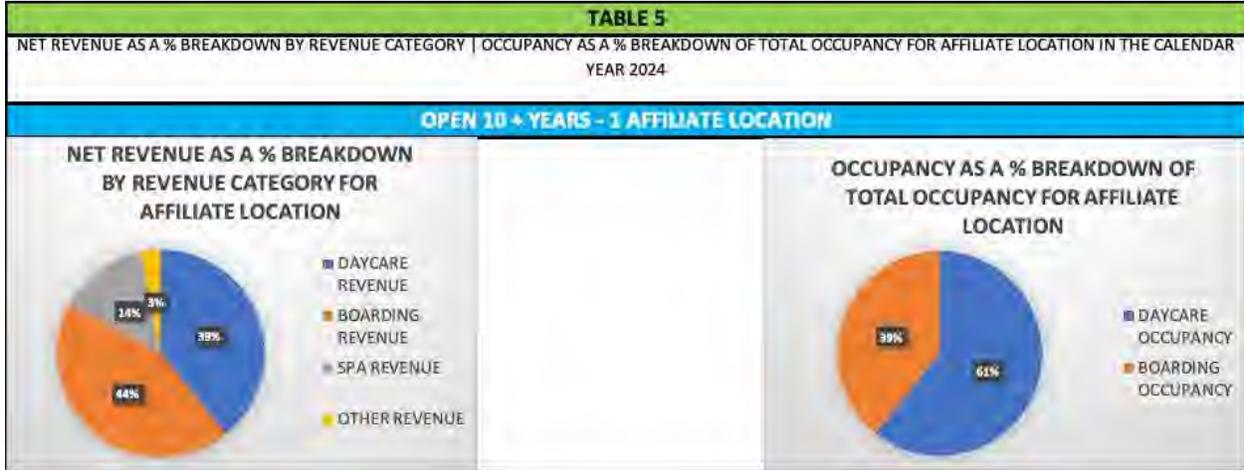


TABLE 6

Net Revenue as a Percent Breakdown by Revenue Category and Occupancy as a Percent Breakdown of Total Occupancy for the Reporting Group in the Calendar Year 2024

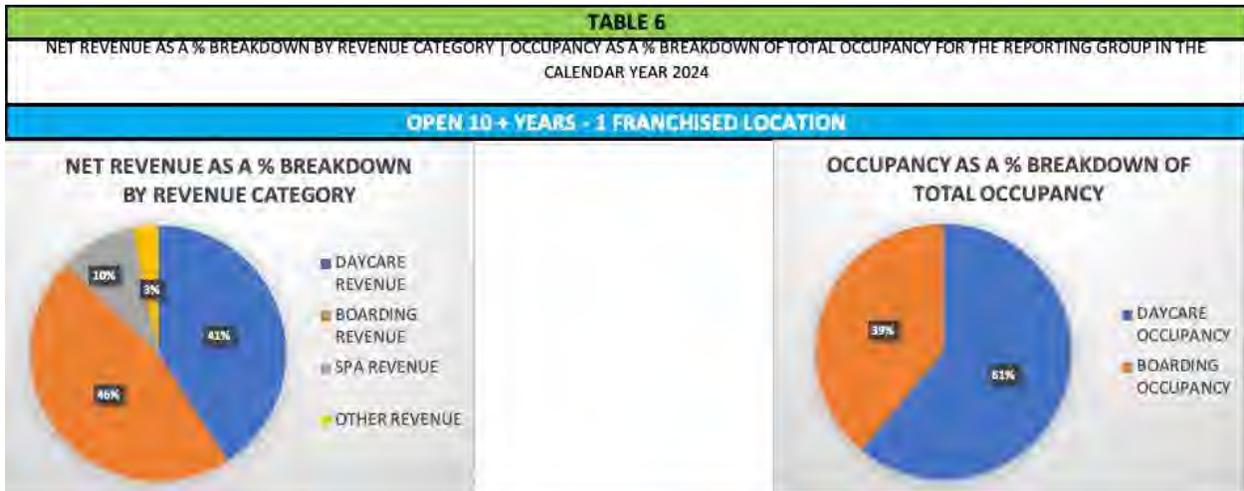
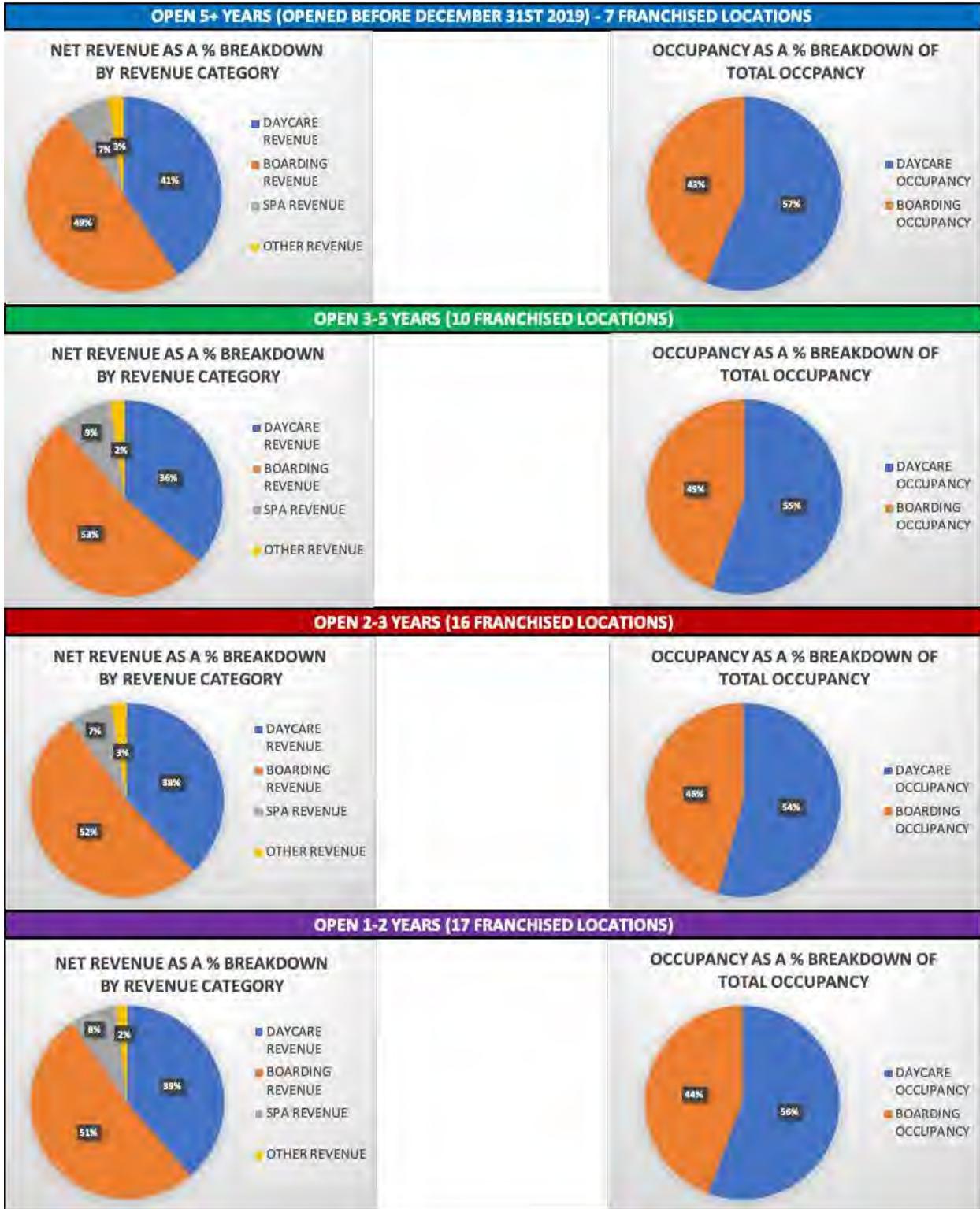


TABLE 6 (CONTINUED)

Net Revenue as a Percent Breakdown by Revenue Category and Occupancy as a Percent Breakdown of Total Occupancy for the Reporting Group in the Calendar Year 2024



Notes to Tables 5 and 6:

1. “Net Revenue as a Percent Breakdown by Revenue Category” is calculated by taking the total revenue of the Revenue Category of the Reporting Group and dividing it by the Total Net Revenue for the Reporting Group.
2. “Occupancy as a Percent Breakdown of Total Occupancy” is calculated by taking the total occupancy count of the Category (Daycare and Boarding) of the Reporting Group and dividing it by the Total Occupancy for the Reporting Group.

TABLE 7

Reporting Group Average and Median Net Revenue and Average Check by Maturity During the Reporting Period

TABLE 5					
REPORTING GROUP AVERAGE AND MEDIAN NET REVENUE AND AVERAGE CHECK BY MATURITY DURING THE REPORTING PERIOD					
REPORTING LOCATIONS	OPEN 10 + YEARS	OPEN 5 + YEARS	OPEN 3-5 YEARS	OPEN 2-3 YEARS	OPEN 1-2 YEARS
	One Affiliate Location and One Franchised Location	3 Franchised Locations	9 Franchised Locations	6 Franchised Locations	17 Franchised Locations
2023 AVERAGE NET REVENUE	\$1,262,961	\$886,137	\$755,875	\$579,176	\$390,373
NUMBER AND PERCENTAGE AT OR ABOVE AUV	1 (50%)	1 (33%)	3 (33%)	3 (50%)	8 (47%)
AUV 2022 TO 2023 YOY SALES GROWTH	10.79%	4.96%	8.39%	19.80%	
NUMBER AND PERCENTAGE AT OR ABOVE AUV 2022 TO 2023 YOY SALES GROWTH	1 (50%)	2 (66%)	5(55%)	4 (66%)	
2023 MEDIAN NET REVENUE	\$1,262,961	\$878,026	\$603,340	\$581,213	\$373,342
MEDIAN YOY 2022 TO 2023 YOY SALES GROWTH	10.79%	6.80%	8.39%	26.54%	
HIGHEST NET REVENUES	\$1,446,366	\$989,919	\$1,355,440	\$927,261	\$665,263
LOWEST NET REVENUES	\$1,079,556	\$790,464	\$544,954	\$265,121	\$167,424
AVERAGE 2023 AVERAGE CHECK	\$47.81	\$42.61	\$40.43	\$41.40	\$40.31
MEDIAN 2023 AVERAGE CHECK	\$47.81	\$41.95	\$40.46	\$40.57	\$39.01
HIGHEST AVERAGE CHECK	\$48.86	\$45.35	\$45.32	\$49.12	\$58.31
LOWEST AVERAGE CHECK	\$46.76	\$40.52	\$32.73	\$32.95	\$29.56



TABLE 7					
REPORTING GROUP AVERAGE AND MEDIAN NET REVENUE AND AVERAGE CHECK BY MATURITY DURING THE REPORTING PERIOD					
REPORTING LOCATIONS	OPEN 1+ YEARS	OPEN 3+ YEARS	OPEN 3-5 YEARS	OPEN 2-3 YEARS	OPEN 1-2 YEARS
	One Affiliate Location and One Franchised Location	7 Franchised Locations	10 Franchised Locations	16 Franchised Locations	17 Franchised Locations
2024 AVERAGE NET REVENUE	\$1,258,679	\$919,994	\$672,845	\$505,240	\$320,249
NUMBER AND PERCENTAGE AT OR ABOVE AUV	1 (50%)	4 (57%)	5 (50%)	9 (56%)	7 (41%)
AUV 2023 TO 2024 YOY SALES GROWTH	0.06%	4.35%	9.88%	26.40%	
NUMBER AND PERCENTAGE AT OR ABOVE AUV 2022 TO 2023 YOY SALES GROWTH	1 (50%)	3 (43%)	6 (60%)	7 (44%)	
2024 MEDIAN NET REVENUE	\$1,258,679	\$939,409	\$638,359	\$536,871	\$303,853
MEDIAN YOY 2023 TO 2024 YOY SALES GROWTH	0.06%	6.19%	1.18%	8.17%	
HIGHEST NET REVENUES	\$1,407,458	\$1,349,576	\$1,081,531	\$733,878	\$753,707
LOWEST NET REVENUES	\$1,109,900	\$558,913	\$334,350	\$277,457	\$78,112
AVERAGE 2024 AVERAGE CHECK	\$52	\$45	\$44	\$43	\$43
MEDIAN 2024 AVERAGE CHECK	\$52	\$46	\$43	\$42	\$43
HIGHEST AVERAGE CHECK	\$53	\$49	\$54	\$58	\$55
LOWEST AVERAGE CHECK	\$51	\$38	\$36	\$33	\$32
AVERAGE 2024 DAYCARE AVERAGE CHECK	\$34	\$32	\$29	\$30	\$29
MEDIAN 2024 DAYCARE AVERAGE CHECK	\$34	\$30	\$28	\$29	\$29
HIGHEST DAYCARE AVERAGE CHECK	\$34	\$43	\$37	\$42	\$41
LOWEST DAYCARE AVERAGE CHECK	\$34	\$29	\$23	\$25	\$18
AVERAGE 2024 BOARDING AVERAGE	\$60	\$53	\$52	\$49	\$50
MEDIAN 2024 BOARDING AVERAGE CHECK	\$60	\$53	\$52	\$47	\$50
HIGHEST BOARDING AVERAGE CHECK	\$60	\$62	\$62	\$64	\$73
LOWEST BOARDING AVERAGE CHECK	\$59	\$42	\$39	\$29	\$36

Notes to Table 5-7:

Subsets of the Reporting Group by Operational History:

1. “Reporting Locations 10+ Years” refers to the Franchised Location and one Affiliate Location in the Reporting Group that were open on or before December 31st, 2013~~2014~~, and includes Franchised Location 0022 and Affiliate Location 001-1.
2. “Reporting Locations Open 5+ Years” refers to the ~~threeseven~~ Franchised Locations in the Reporting Group that were open for at least five years as of December 31st, 2023~~2024~~, and includes Franchised Location 003, 004~~locations 3,4,6,7,8,9, and 00610~~.
3. “Reporting Locations Open 3-5 Years” refers to the ~~nineten~~ Franchised Locations in the Reporting Group that opened between January 1st, 2019~~2020~~, and December 31st, 2020~~2021~~. It includes Franchise Locations 007, 008, 009, 010, 011, 012, 013, 014~~11,12,14, 15, 16, 17, 18, 19, 20, and 01521~~.
4. “Reporting Locations Open 2-3 Years” refers to the ~~sixsixteen~~ Franchised Locations in the Reporting Group that opened between January 1st, 2021~~2022~~ and December 31st, 2021~~2022~~. It includes Franchise Locations 016, 017, 018, 019, 020~~22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, and 02138~~.
5. “Reporting Locations Open 1-2 Years” refers to seventeen Franchised Locations in the Reporting Group



that opened between January 31st, ~~2022~~2023 and December 31st, ~~2022~~2023 and includes Franchise Locations ~~022, 023, 024, 025, 026, 027, 028, 029, 030, 031, 032, 033, 034, 035, 036, 037~~39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, and 03855.

6. "20232024 Average Net Revenue" is calculated by determining the average of the 20232024 Net Revenue for the reporting group.
7. "AUV 20222023 to 20232024 YOY Sales Growth" is calculated by determining the average of the 20222023 to 20232024 YOY Sales Growth for the Reporting Group (as listed in Tables 1 and 2) in each respective subset of the Reporting Group. We did not provide this information in the Reporting Location Open 1-2 Years subset as there was not a full year of Sales in 20222023.
8. "2023 Median Net Revenue" is calculated by determining the median of the 20232024 Net Revenue for the reporting group.
9. "Median 20212023 to 20222024 YOY Sales Growth" is calculated by determining the median data point for 20222023 to 20232024 YOY Sales Growth (as reported in ~~table~~tables 1 and 2) in each respective subset of the Reporting Group. We did not provide this information in the Reporting Location Open 1-2 Years subset as there was not a full year of sales in 2022-2023.
10. "Average 2023 Average Check" is calculated by taking the average of the Average Check of the Reporting Group.
11. "Median 2023 Average Check" is calculated by taking the median of the Average Check of the Reporting Group.
12. "Average 2024 Daycare Average Check" is calculated by taking the average of the Daycare Average Check in the Reporting Group.
13. "Median 2024 Daycare Average Check" is calculated by taking the Median of the Daycare Average Check in the Reporting Group.
14. "Average 2024 Boarding Average Check" is calculated by taking the Average of the Boarding Average Check in the Reporting Group.
15. "Median 2024 Boarding Average Check" is calculated by taking the Median of the Boarding Average Check in the Reporting Group.
- ~~12.~~16. _____ The financial performance representations in Table 57 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Revenue figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.



TABLE 68

Net Income for the ~~2023~~2024 Reporting Period
Store 001-Affiliate Location – Open 10 + Years

NET OPERATING INCOME			
NET			
COG			
GRC	NET REVENUE	\$1,109,900	
	COGS	\$28,013	3%
	GROSS PROFIT	\$1,081,888	97%
OPE	EXPENSES		
	OPERATING EXPENSES		
	MARKETING & ADVERTISING	\$22,198	2%
FRA	DIRECT OPERATING EXPENSES	\$83,064	7%
	FRANCHISE EXPENSES		
	ROYALTIES	\$66,594	6%
	BRAND FUND	\$22,198	2%
	TECH FEE	\$3,720	0.3%
LC			
OCC	LOCAL ADVERTISING MANAGEMENT FEE	\$1,800	0.2%
	OCCUPANCY		
	RENT	\$82,000	7%
	UTILITIES	\$32,521	3%
	REPAIRS & MAINTENANCE	\$7,008	1%
PER	PERSONNEL		
	LABOR	\$381,982	34%
NET	TOTAL EXPENSES	\$703,085	63%
	NET OPERATING INCOME	\$376,803	34%





TABLE 79

Reporting Group Net Revenue, Expenses, and Net Operating Income for One Affiliate Location and One Franchised Location Open 10+ Years
Store 001 and Store 002

TABLE 7 - NET INCOME FOR THE 2023 REPORTING GROUP - OPEN 10+ YEARS							
NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR ONE AFFILIATE AND ONE FRANCHISED LOCATION STORE 001 & STORE 002							
OPEN 10 + YEARS							
	AVERAGE AS \$ AMOUNT AND PERCENT		NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT		HIGHEST	LOWEST
NET REVENUE	\$1,262,961		1 (50%)	\$1,262,961		\$1,446,366	\$1,079,556
COGS	\$25,290	2%	1 (50%)	\$25,290	2%	\$33,092	\$17,489
GROSS PROFIT	\$1,237,670	98%	1 (50%)	\$1,237,670	98%	\$1,428,877	\$1,046,464
EXPENSES							
OPERATING EXPENSES							
MARKETING & ADVERTISING	\$25,259	2%	1 (50%)	\$25,259	2%	\$28,927	\$21,591
DIRECT OPERATING EXPENSES	\$74,312	6%	1 (50%)	\$99,437	6%	\$103,952	\$94,921
FRANCHISE EXPENSES							
ROYALTIES	\$75,778	6%	1 (50%)	\$75,778	6%	\$86,782	\$64,773
BRAND FUND	\$25,259	2%	1 (50%)	\$25,259	2%	\$28,927	\$21,591
TECH FEE	\$1,800	0.1%	2 (100%)	\$1,800	0.1%	\$1,800	\$1,800
LOCAL ADVERTISING MANAGEMENT FEE	\$1,200	0.1%	2 (100%)	\$1,200	0.1%		
OCCUPANCY							
RENT	\$72,825	6%	1 (50%)	\$72,825	6%	\$84,000	\$61,651
UTILITIES	\$23,523	2%	1 (50%)	\$23,523	2%	\$23,707	\$23,338
REPAIRS & MAINTENANCE	\$9,829	1%	1 (50%)	\$9,829	1%	\$10,000	\$9,658
PERSONNEL							
LABOR	\$443,025	35%	1 (50%)	\$443,025	33%	\$465,742	\$337,376
NET OPERATING INCOME	\$459,735	36%	1 (50%)	\$459,735	38%	\$578,929	\$340,541



NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR ONE AFFILIATE AND ONE FRANCHISED LOCATION STORE 001 & STORE 002						
CARRY OVER FROM						
	AVERAGE AS \$ AMOUNT AND PERCENT	NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT	HIGHEST	LOWEST	
NET REVENUE	\$1,258,679	1 (50%)	\$1,258,679	\$1,407,458	\$1,109,900	
COGS	\$33,251 3%	1 (50%)	\$33,251 3%	\$38,490	\$28,013	
GROSS PROFIT	\$1,225,428 97%	1 (50%)	\$33,251 3%	\$1,368,967	\$1,081,888	
EXPENSES						
OPERATING EXPENSES						
MARKETING & ADVERTISING	\$25,174 2%	1 (50%)	\$25,174 2%	\$28,149	\$22,198	
DIRECT OPERATING EXPENSES	\$86,006 7%	1 (50%)	\$86,006 7%	\$88,949	\$83,064	
FRANCHISE EXPENSES						
ROYALTIES	\$75,521 6%	1 (50%)	\$75,521 6%	\$84,447	\$66,594	
BRAND FUND	\$25,174 2%	1 (50%)	\$25,174 2%	\$28,149	\$22,198	
TECH FEE	\$3,720 0.3%	2 (100%)	\$3,720 0.3%	\$3,720	\$3,720	
LOCAL ADVERTISING MANAGEMENT FEE	\$1,800 0.1%	2 (100%)	\$1,800 0.1%	\$1,800	\$1,800	
OCCUPANCY						
RENT	\$70,600 6%	1 (50%)	\$70,600 6%	\$82,000	\$59,200	
UTILITIES	\$34,109 3%	1 (50%)	\$34,109 3%	\$35,697	\$32,521	
REPAIRS & MAINTENANCE	\$8,240 1%	1 (50%)	\$8,240 1%	\$9,471	\$7,008	
PERSONNEL						
LABOR & PAYROLL TAX	\$427,444 34%	1 (50%)	\$427,444 34%	\$472,906	\$381,982	
TOTAL EXPENSES	\$757,787 60%	1 (50%)	\$757,787 60%	\$812,489	\$703,085	
NET OPERATING INCOME	\$467,641 37%	1 (50%)	\$467,641 37%	\$556,479	\$378,803	



TABLE 8
Reporting Group Net Revenue, Expenses, and Net Operating Income for Three Franchised
Locations Opened 5+ Years
Stores 003, 004 and 006

TABLE 8 - NET INCOME FOR THE 2023 REPORTING GROUP							
NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR 3 FRANCHISED LOCATIONS							
STORES 003, 004, 006							
OPEN 5+ YEARS (OPENED BEFORE DECEMBER 31ST 2018)							
	AVERAGE AS \$ AMOUNT AND PERCENT		NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT		HIGHEST	LOWEST
NET REVENUE	\$886,137		1 (33%)	\$878,026		\$989,919	\$790,464
COGS	\$16,435	2%	1 (33%)	\$15,809	2%	\$17,930	\$15,567
GROSS PROFIT	\$869,701	98%	1 (33%)	\$860,096	98%	\$974,352	\$774,655
EXPENSES							
OPERATING EXPENSES							
MARKETING & ADVERTISING	\$17,723	2%	1 (33%)	\$17,561	2%	\$19,798	\$15,809
DIRECT OPERATING EXPENSES	\$66,291	7%	2 (66%)	\$66,275	8%	\$78,896	\$53,702
FRANCHISE EXPENSES							
ROYALTIES	\$53,168	6%	1 (33%)	\$52,682	6%	\$59,395	\$47,428
BRAND FUND	\$17,723	2%	1 (33%)	\$17,561	2%	\$19,798	\$15,809
TECH FEE	\$1,800	0.2%	3 (100%)	\$1,800	0.2%	\$1,800	\$1,800
LOCAL ADVERTISING MANAGEMENT FEE	\$1,200	0.1%	3 (100%)	\$1,200	0.1%	\$1,200	\$1,200
OCCUPANCY							
RENT	\$79,775	9%	1 (33%)	\$73,000	8%	\$102,266	\$64,059
UTILITIES	\$22,649	3%	2 (66%)	\$23,462	3%	\$23,644	\$20,841
REPAIRS & MAINTENANCE	\$9,498	1%	1 (33%)	\$8,495	1%	\$12,000	\$8,000
PERSONNEL							
LABOR	\$269,472	30%	1 (33%)	\$265,062	30%	\$337,702	\$205,651
NET OPERATING INCOME	\$330,402	37%	1 (33%)	\$320,655	37%	\$404,983	\$265,568



TABLE 9
Reporting Group Net Revenue, Expenses, and Net Operating Income for Nine Franchised
Locations Opened 3-5 Years
Stores 007, 008, 009, 010, 011, 012, 013, 014, 015

TABLE 9 - NET INCOME FOR THE 2023 REPORTING GROUP							
NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR 9 FRANCHISED LOCATIONS							
STORES 007, 008, 009, 010, 011, 012, 013, 014, 015							
OPEN 3-5 YEARS (OPENED BETWEEN JANUARY 1ST 2019 AND DECEMBER 31ST 2020)							
	AVERAGE AS \$ AMOUNT AND PERCENT		NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT		HIGHEST	LOWEST
NET REVENUE	\$755,875		4 (44%)	\$603,340		\$1,355,440	\$544,954
COGS	\$17,123	2%	4 (44%)	\$13,650	2%	\$27,109	\$9,938
GROSS PROFIT	\$738,752	98%	3 (33%)	\$591,273	98%	\$1,328,331	\$532,986
EXPENSES							
OPERATING EXPENSES							
MARKETING & ADVERTISING	\$26,034	3%	4 (44%)	\$21,226	4%	\$50,000	\$16,263
DIRECT OPERATING EXPENSES	\$55,161	7%	4 (44%)	\$46,440	8%	\$108,435	\$40,446
FRANCHISE EXPENSES							
ROYALTIES	\$45,353	6%	1 (33%)	\$36,200	6%	\$81,326	\$32,697
BRAND FUND	\$15,118	2%	1 (33%)	\$12,067	2%	\$27,109	\$10,899
TECH FEE	\$1,800	0.2%	3 (100%)	\$1,800	0.3%	\$1,800	\$1,800
LOCAL ADVERTISING MANAGEMENT FEE	\$1,200	0.2%	3 (100%)	\$1,200	0.2%	\$1,200	\$1,200
OCCUPANCY							
RENT	\$57,547	8%	2 (66%)	\$71,000	11.8%	\$130,673	\$48,000
UTILITIES	\$31,691	4%	1 (33%)	\$25,806	4.3%	\$46,238	\$15,024
REPAIRS & MAINTENANCE	\$7,843	1%	1 (33%)	\$8,451	1.4%	\$10,145	\$4,181
PERSONNEL							
LABOR	\$249,057	33%	1 (33%)	\$205,136	34.0%	\$474,404	\$172,171
NET OPERATING INCOME	\$232,176	31%	1 (33%)	\$209,592	34.7%	\$455,899	\$140,630



TABLE 10

Reporting Group Net Revenue, Expenses, and Net Operating Income for ~~Six Franchised~~ Locations
~~Opened 2-3~~ Open 5+ Years
~~Stores 016, 017, 018, 019, 020 and 021~~

TABLE 10 - NET INCOME FOR THE 2023 REPORTING GROUP							
NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR 6 FRANCHISED LOCATIONS STORES 016, 017, 018, 019, 020, 021							
OPEN 2-3 YEARS (OPENED BETWEEN JANUARY 1ST 2021 AND DECEMBER 31ST 2021)							
	AVERAGE AS \$ AMOUNT AND PERCENT		NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT		HIGHEST	LOWEST
NET REVENUE	\$579,176		3 (50%)	\$581,213		\$927,261	\$265,121
COGS	\$10,238	2%	2 (33%)	\$8,891	2%	\$20,403	\$3,237
GROSS PROFIT	\$568,939	98%	3 (50%)	\$575,915	99%	\$906,858	\$256,673
EXPENSES							
OPERATING EXPENSES							
MARKETING & ADVERTISING	\$37,385	6%	2 (33%)	\$36,901	6%	\$50,744	\$26,832
DIRECT OPERATING EXPENSES	\$42,247	7%	3 (50%)	\$44,518	8%	\$52,586	\$19,196
FRANCHISE EXPENSES							
ROYALTIES	\$34,751	6%	3 (50%)	\$34,873	6%	\$55,636	\$15,907
BRAND FUND	\$11,584	2%	3 (50%)	\$11,624	2%	\$18,545	\$5,302
TECH FEE	\$1,800	0.3%	6 (100%)	\$1,800	0.3%	\$1,800	\$1,800
LOCAL ADVERTISING MANAGEMENT FEE	\$1,200	0.2%	6 (100%)	\$1,200	0.2%	\$1,200	\$1,200
OCCUPANCY							
RENT	\$83,384	14%	3 (50%)	\$81,933	14%	\$114,392	\$52,500
UTILITIES	\$14,011	2%	2 (33%)	\$13,606	2%	\$17,201	\$11,187
REPAIRS & MAINTENANCE	\$3,421	1%	2 (33%)	\$2,506	0.4%	\$8,399	\$1,441
PERSONNEL							
LABOR	\$179,588	31%	3 (50%)	\$200,121	34%	\$228,040	\$73,598
NET OPERATING INCOME	\$134,581	23%	2 (33%)	\$126,468	22%	\$345,355	\$28,514



NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR THE 7 FRANCHISED LOCATIONS THAT SUBMITTED P&L STATEMENTS BY THE DEADLINE, 100% SUBMITTED

OPEN 5+ YEARS (OPENED BEFORE DECEMBER 31ST 2019)

	AVERAGE AS \$ AMOUNT AND PERCENT		NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT		HIGHEST	LOWEST
NET REVENUE	\$919,994		4 (57%)	\$989,409		\$1,349,576	\$558,913
COGS	\$21,547	2%	4 (57%)	\$22,824	2%	\$33,762	\$9,910
GROSS PROFIT	\$898,447	98%	4 (57%)	\$911,226	97%	\$1,321,934	\$549,803
EXPENSES							
OPERATING EXPENSES							
MARKETING & ADVERTISING	\$17,270	2%	3 (43%)	\$16,788	2%	\$21,425	\$13,496
DIRECT OPERATING EXPENSES	\$60,294	7%	2 (29%)	\$55,648	6%	\$101,100	\$40,421
FRANCHISE EXPENSES							
ROYALTIES	\$55,200	6%	4 (57%)	\$56,365	6%	\$80,975	\$33,535
BRAND FUND	\$18,400	2%	4 (57%)	\$18,788	2%	\$26,992	\$11,178
TECH FEE	\$3,720	0.4%	7 (100%)	\$3,720	0.4%	\$3,720	\$3,720
LOCAL ADVERTISING MANAGEMENT FEE	\$1,800	0.2%	7 (100%)	\$1,800	0.2%	\$1,800	\$1,800
OCCUPANCY							
RENT	\$90,095	10%	4 (57%)	\$98,559	10%	\$115,382	\$58,988
UTILITIES	\$26,189	3%	2 (29%)	\$24,113	3%	\$45,712	\$16,827
REPAIRS & MAINTENANCE	\$6,475	1%	3 (43%)	\$5,417	1%	\$9,803	\$2,670
PERSONNEL							
LABOR & PAYROLL TAX	\$302,251	33%	4 (57%)	\$322,470	34%	\$431,864	\$163,329
TOTAL EXPENSES	\$581,694	63%	3 (43%)	\$574,088	61%	\$819,435	\$395,935
NET OPERATING INCOME	\$316,754	34%	4 (57%)	\$318,618	34%	\$502,499	\$153,069



TABLE 11

Reporting Group Net Revenue, Expenses, and Net Operating Income for ~~Sixteen Franchised Locations~~
Open 3-5 Years

NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR THE 10 FRANCHISED LOCATIONS THAT SUBMITTED P&L STATEMENTS BY THE DEADLINE (100% SUBMITTED)						
OPEN 3-5 YEARS (OPENED BETWEEN JANUARY 15, 2020 AND DECEMBER 31, 2021)						
	AVERAGE AS \$ AMOUNT AND PERCENT	NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT	HIGHEST	LOWEST	
NET REVENUE	\$710,456	4 (40%)	\$703,993	\$1,081,531	\$511,642	
COGS	\$11,625 2%	2 (20%)	\$9,809 1%	\$21,293	6,302.49	
GROSS PROFIT	698,831.38 98%	4 (40%)	\$697,169 99%	\$1,059,900	\$02,149.71	
EXPENSES						
OPERATING EXPENSES						
MARKETING & ADVERTISING	\$30,561 4%	3 (30%)	\$29,164 4%	\$40,301	\$23,130	
DIRECT OPERATING EXPENSES	\$50,006 7%	4 (40%)	\$48,225 7%	\$74,423	\$40,678	
FRANCHISE EXPENSES						
ROYALTIES	\$42,627 6%	4 (40%)	\$42,240 6%	\$64,892	\$30,699	
BRAND FUND	\$14,209 2%	4 (40%)	\$14,080 2%	\$21,631	\$10,233	
TECH FEE	\$3,720 0.5%	10 (100%)	\$3,720 0.5%	\$3,720	\$3,720	
LOCAL ADVERTISING MANAGEMENT FEE	\$1,800 0.3%	10 (100%)	\$1,800 0.3%	\$1,800	\$1,800	
OCCUPANCY						
RENT	\$95,654 13%	5 (50%)	\$97,278 14%	\$131,355	\$48,000	
UTILITIES	\$17,450 2%	4 (40%)	\$17,235 2%	\$21,926	\$11,797	
REPAIRS & MAINTENANCE	\$2,815 0%	6 (60%)	\$2,957 0%	\$3,686	\$1,168	
PERSONNEL						
LABOR & PAYROLL TAX	\$226,320 32%	5 (50%)	255,084.67 36%	\$317,652	\$137,990	
TOTAL EXPENSES	\$485,162 68%	5 (50%)	\$492,074 70%	\$675,333	\$343,831	
NET OPERATING INCOME	\$213,669 30%	6 (60%)	\$205,095 29%	\$384,567	\$138,795	



TABLE 12

Reporting Group Net Revenue, Expenses, and Net Operating Income for Locations Open 2-3 Years

OPEN 2-3 YEARS (OPENED BETWEEN JANUARY 31ST 2022 AND DECEMBER 31ST 2022)						
	AVERAGE AS \$ AMOUNT AND PERCENT	NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT	HIGHEST	LOWEST	
NET REVENUE	\$534,473	9 (64%)	\$542,283	\$733,878	\$361,229	
COGS	\$11,523 2%	4 (29%)	\$9,231 2%	\$33,056	\$3,606	
GROSS PROFIT	\$522,950 98%	8 (57%)	\$29,955.22 91%	\$717,512	\$354,005	
EXPENSES						
OPERATING EXPENSES						
MARKETING & ADVERTISING	\$24,110 5%	7 (50%)	\$24,000 4%	\$43,198	\$497	
DIRECT OPERATING EXPENSES	\$35,697 7%	6 (43%)	\$32,709 6%	\$60,541	\$24,761	
FRANCHISE EXPENSES						
ROYALTIES	\$32,068 6%	9 (64%)	\$32,306 6%	\$44,033	\$21,674	
BRAND FUND	\$10,689 2%	9 (54%)	\$10,769 2%	\$14,678	\$7,225	
TECH FEE	\$3,720 0.7%	14 (100%)	\$3,720 0.6%	\$3,720	\$3,720	
LOCAL ADVERTISING MANAGEMENT FEE	\$1,800 0.3%	14 (100%)	\$1,800 0.3%	\$1,800	\$1,800	
OCCUPANCY						
RENT	\$93,029 17%	9 (64%)	\$94,354 16%	\$116,314	\$42,218	
UTILITIES	\$15,236 3%	6 (43%)	\$13,056 2%	\$25,654	\$8,044	
REPAIRS & MAINTENANCE	\$2,879 1%	8 (57%)	\$3,358 1%	\$5,502	\$59	
PERSONNEL						
LABOR	\$168,230 31%	8 (57%)	\$179,090 31%	\$226,654	\$105,049	
TOTAL EXPENSES	\$384,429 72%	9 (64%)	\$393,524 68%	\$493,067	\$257,914	
NET OPERATING INCOME	\$138,522 26%	4 (29%)	\$120,995 21%	\$316,491	\$39,009	



TABLE 13

Reporting Group Net Revenue, Expenses, and Net Operating Income for Locations ~~Opened~~Open 1-2
 Years
 Stores ~~022, 023, 024, 025, 026, 027, 028, 029, 030, 031, 033, 034, 035, 036, 037 and 038~~

TABLE 11 - NET INCOME FOR THE 2023 REPORTING GROUP							
NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR 16 FRANCHISED LOCATIONS STORES 022, 023, 024, 025, 026, 027, 028, 029, 030, 031, 033, 034, 035, 036, 037, 038							
OPEN 1-2 YEARS (OPENED BETWEEN JANUARY 1ST 2022 AND DECEMBER 31ST 2022)							
	AVERAGE AS \$ AMOUNT AND PERCENT		NUMBER AND PERCENTAGE AT OR ABOVE THE AVG	MEDIAN AS \$ AMOUNT AND PERCENT		HIGHEST	LOWEST
NET REVENUE	\$397,071		7 (47%)	\$383,656		\$665,263	\$167,424
COGS	7,031.11	2%	8 (53%)	\$7,473	2%	\$13,305	\$703
GROSS PROFIT	390,039.77	98%	7 (47%)	\$374,348	98%	\$651,958	\$163,195
EXPENSES							
OPERATING EXPENSES							
MARKETING & ADVERTISING	\$41,326	10%	8 (53%)	\$40,147	10%	\$62,552	\$19,413
DIRECT OPERATING EXPENSES	\$33,471	8%	5 (33%)	\$34,315	9%	\$55,486	\$13,383
FRANCHISE EXPENSES							
ROYALTIES	\$23,824	6%	7 (47%)	\$23,019	6%	\$39,916	\$10,045
BRAND FUND	\$7,941	2%	7 (47%)	\$7,673	2%	\$13,305	\$3,348
TECH FEE	\$1,800	0.4%	15 (100%)	\$1,800	0.5%	\$1,800	\$1,800
LOCAL ADVERTISING MANAGEMENT FEE	\$1,200	0.3%	15 (100%)	\$1,200	0.3%	\$1,200	\$1,200
OCCUPANCY							
RENT	\$77,412	19%	8 (53%)	\$76,139	20%	\$102,743	\$45,711
UTILITIES	\$14,999	4%	4 (27%)	\$13,657	4%	\$24,230	\$3,055
REPAIRS & MAINTENANCE	\$2,825	0.7%	5 (33%)	\$3,021	0.8%	\$5,235	\$280
PERSONNEL							
LABOR	\$136,027	34%	8 (53%)	\$135,950	35%	\$211,891	\$63,917
NET OPERATING INCOME	\$49,402	12%	6 (38%)	\$46,715	12%	\$263,079	-\$132,190



NET REVENUE, EXPENSES, AND NET OPERATING INCOME FOR THE 14 FRANCHISED LOCATIONS. STORES 45, 49 and 55 DID NOT SUBMIT BY DEADLINE AND WERE EXCLUDED							
OPEN 1-2 YEARS (OPENED BETWEEN JANUARY 1ST 2023 AND DECEMBER 31ST 2023)							
	AVERAGE AS \$ AMOUNT AND PERCENT		NUMBER AND PERCENTAGE AT OR ABOVE THE AUV	MEDIAN AS \$ AMOUNT AND PERCENT		HIGHEST	LOWEST
NET REVENUE	\$400,718		7 (50%)	\$330,267		\$753,707	\$286,721
COGS	\$8,590	2%	9 (64%)	\$8,607	3%	\$17,160	\$533
GROSS PROFIT	\$392,128	98%	7 (50%)	\$327,699	99%	\$738,633	\$275,310
EXPENSES							
OPERATING EXPENSES							
MARKETING & ADVERTISING	\$37,378	9%	11 (79%)	\$40,879	12%	\$55,177	\$12,768
DIRECT OPERATING EXPENSES	\$31,457	8%	8 (57%)	\$29,577	9%	\$59,127	\$12,124
FRANCHISE EXPENSES							
ROYALTIES	\$24,043	6%	7 (50%)	\$19,816	6%	\$45,222	\$17,203
BRAND FUND	\$8,014	2%	7 (50%)	\$6,605	2%	\$15,074	\$5,734
TECH FEE	\$3,720	0.9%	14 (100%)	\$3,720	1%	\$3,720	\$3,720
LOCAL ADVERTISING MANAGEMENT FEE	\$1,800	0.4%	14 (100%)	\$1,800	0.5%	\$1,800	\$1,800
OCCUPANCY							
RENT	\$82,895	20.7%	6 (43%)	\$88,528	26.8%	\$110,000	\$54,316
UTILITIES	\$15,309	3.8%	6 (43%)	\$16,262	4.9%	\$22,751	\$2,557
REPAIRS & MAINTENANCE	\$729	0.2%	3 (21%)	\$572	0.2%	\$2,235	\$0
PERSONNEL							
LABOR	\$120,460	30.1%		\$103,912	31.5%	\$248,723	\$94,618
TOTAL EXPENSES	\$336,625	84.0%	7 (50%)	\$288,080	87.2%	\$526,297	\$261,164
NET OPERATING INCOME	\$55,503	14%	7 (50%)	\$38,125	11.5%	\$112,336	\$11,253



Notes to Tables 6–118 -13:

1. “COGS” (Costs of Goods Sold) means cost of goods sold, and includes the cost of retail items, pet food, shampoo, and related items.
2. “Gross Profit” means Net Revenue less COGS.
3. “Marketing & Advertising” refers to the expenses to market locally in the trade area.
4. “Direct Operating Expenses” refers to the following expenses:- credit card processing; bank fees; computer & software; office supplies; dues & subscriptions; taxes, permits, licenses; professional services; equipment rental, insurance, professional services, uniforms, and training for team members reported by the Reporting Group. Insurance expenses include workers’ compensation, general liability, and other insurance expenses. Professional services expenses include accounting, legal, payroll processing, contract services, and other expenses to professional our outside vendors. The Operating Expenses included for the Affiliate Location are those actually reported by the Affiliate Location except for the imputing of Franchise Expenses (as defined below). The Operating Expenses included for Franchised Locations are those actually reported by each Franchised Location in the Reporting Group, except that adjustments were made to the Franchise Expenses, as described in Note 5 below.
5. Franchise Expenses.- Current franchisees pay a 6% Royalty Fee, a 2% Brand Fund Contribution, a Technology Fee, and a Local Advertising Management Fee. -Franchised Locations paid different Franchisee Fees based on when they signed their Franchise Agreement. -We ~~imputed~~ imputed a 6% royalty, a 2% Brand Fund contribution, a Technology Fee of ~~\$150~~ \$10 a month and a Local Advertising Management Fee of ~~\$100~~ \$150 a month for the Affiliate Location and all Franchised Locations.
6. “Rent” refers to rent, insurance, and common area maintenance paid.
7. -“Utilities” refers to utilities, including telephone and internet.
8. “Repairs and Maintenance” refers to the facility's repairs and maintenance. It does not include upgrades to the facility.
9. “Labor” refers to wages and payroll tax. -Labor rates vary across and the country and you should do an independent investigation of the labor rates in your area. -Payroll taxes vary across the country, state, and local counties.- You should do an independent investigation of the payroll taxes in your area.
10. “Percent” refers to the percentage of Net Revenue for each disclosed category and is calculated by dividing each respective total by Net Revenue.
11. “Net Operating Income” means Gross Profit less Operating Expenses. Net Operating Income does not include the deduction of other non-operating expenses, including interest, depreciation, amortization, taxes, or owners’ draw or owners’ compensation. -For the purposes of Tables 6-11 Net Operating Income is the average or median of that particular subset of the Reporting Group.
12. The financial performance representations in Tables 6-11 do not reflect the tax, depreciation and amortization expenses that must be deducted from the Gross Sales figures to obtain your net income or profit. -You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business.- Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.



Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request. You should conduct an independent investigation of the costs and expenses you will incur in operating your Hounds Town Business.

Some outlets have earned this amount. -Your individual results may differ. -There is no assurance that you'll earn as much.

Other than the preceding financial performance representation, Hounds Town USA, LLC does not make any financial performance representations. -We also do not authorize our employees or representatives to make any such representations either orally or in writing. -If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. -If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting: Robert Flanagan at 150 E. Robinson St., Unit 2008, Orlando, FL 32801; franchise@houndstownusa.com; or (720) 873-9486, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

System-wide Outlet Summary
For Years ~~2021-2023~~2022 - 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022 2021	1420	2037	+617
	2022 2023	2037	3754	+17
	20232024	3754	5475	+1721
Company-Owned*	2022 2021	21	1	-10
	2023 2022	1	1	0
	20232024	1	1	0
Total Outlets	2022 2021	1621	2138	+517
	2023 2022	2138	3855	+17
	20232024	3855	5576	+1721

*Outlets owned and operated by our affiliates.

Table No. 2

Transfers of Franchised Outlets to New Owners
(other than the Franchisor)
For Years ~~2021-2023~~2022 - 2024

State	Year	Number of Transfers
Colorado	2022	0
	2023	0



State	Year	Number of Transfers
	<u>2024</u>	<u>1</u>
Michigan	2022 <u>2021</u>	0 <u>1</u>
	2022	1
	2023	0
New York	2021 <u>2024</u>	0
<u>Missouri</u>	2022	0
	2023	0
	<u>2024</u>	<u>1</u>
Tennessee	2022 <u>2021</u>	0 <u>1</u>
	2022	1
	2023	0
Totals	2021 <u>2024</u>	0
<u>Totals</u>	2022	2
	2023	0
	<u>2024</u>	<u>2</u>

Table No. 3

Status of Franchised Outlets
For Years ~~2021-2023~~2022 - 2024

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
Arizona	2022 <u>2021</u>	0	<u>0</u> 1	0	0	0	0	<u>0</u> 1
	2023 <u>2022</u>	<u>0</u> 1	<u>1</u> 0	0	0	0	0	1
	2023 <u>2024</u>	1	<u>0</u> 2	0	0	0	0	<u>1</u> 3
Colorado	2022 <u>2021</u>	0	<u>0</u> 1	0	0	0	0	<u>0</u> 1
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Connecticut	2022 <u>2021</u>	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>



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
Florida	2022 21	2	03	0	0	0	0	25
	2022	2	3	0	0	0	0	5
	2023	5	2	0	0	0	0	7
	2024	7	6	0	0	0	0	13
Georgia	2022 21	01	10	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	3	0	0	0	0	4
Illinois	2021 24	04	01	0	0	0	0	05
Illinois	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	1	1
Kentucky	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Louisiana	2022 21	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Maryland	2022 21	01	10	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Michigan	2022 21	1	01	0	0	0	0	12
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Missouri	2022 21	0	01	0	0	0	0	01
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Nevada	2022 21	01	10	0	0	0	0	1



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
	2022	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2023	1	0	0	0	0	0	1
	2024	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
New Jersey	2022 <u>2021</u>	<u>24</u>	<u>2(1)</u>	0	0	0	0	<u>45</u>
	2022	4	1	0	0	0	0	5
	2023	5	1	0	0	0	0	6
	2024	<u>6</u>	<u>1</u>	<u>2(1)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
New York	2022 <u>2021</u>	<u>65</u>	<u>01</u>	0	<u>10</u>	0	0	<u>56</u>
	2022	5	1	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	<u>6</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
North Carolina	2022 <u>2021</u>	<u>01</u>	<u>13</u>	0	0	0	<u>01</u>	<u>13</u>
	2022	1	3	0	0	0	1	3
	2023	3	3	0	0	0	0	6
Ohio	2021 <u>2024</u>	<u>06</u>	0	0	0	0	0	<u>06</u>
<u>Ohio</u>	2022	0	2	0	0	0	0	2
	2023	2	2	0	0	0	0	4
	2024	<u>4</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
Pennsylvania	2022 <u>2021</u>	<u>12</u>	1	0	0	0	0	<u>23</u>
	2022	2	1	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	<u>4</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
South Carolina	2022 <u>2021</u>	0	<u>01</u>	0	0	0	0	<u>01</u>
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Tennessee	2022 <u>2021</u>	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Texas	2021 <u>2022</u>	0	0	0	0	0	0	0



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
	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
	2024	3	4	0	0	0	0	7
Total Outlets	2021 2022	1420	718	0	10	0	01	2037
	2022	20	18	0	0	0	1	37
	2023	37	17	0	0	0	0	54
	2024	54	24	2	0	0	1	75

⁽⁴⁾ Our affiliate location in South New Jersey was sold to an existing franchisee.

⁽¹⁾ Two locations in New Jersey, owned by the same owner were terminated for violating our brand standards on dog safety.

Table No. 4

Status of Company-Owned Outlets
For Years 2021-20232022 - 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
New Jersey	2021 2022	1	0	0	0	10	01
York	2023 2022	01	0	0	0	0	01
	2023	01	0	0	0	0	01
Total Outlets	2021 2022	1	0	0	0	0	1
New York	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total Outlets	2021 2024	21	0	0	0	10	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

Table No. 5

Projected Openings as of
December 31, 2023 ~~for~~ 2024

State	Franchise Agreements	Projected New	Projected New
Alabama	1	1	0
Arizona	23	21	0
California	1	0	0
Colorado	2	20	0



State	Franchise Agreements	Projected New	Projected New
Connecticut	<u>14</u>	<u>10</u>	0
<u>Delaware</u>	<u>1</u>	<u>1</u>	<u>0</u>
Florida	<u>812</u>	<u>82</u>	0
Georgia	2	<u>20</u>	0
Idaho	1	1	0
Illinois	<u>21</u>	<u>21</u>	0
Kentucky Indiana	<u>12</u>	<u>10</u>	0
Maryland	14	<u>12</u>	0
Michigan Missouri	<u>12</u>	<u>10</u>	0
Mississippi	1	<u>10</u>	0
Nevada	<u>32</u>	<u>31</u>	0
New Jersey	4	<u>41</u>	0
New York	<u>37</u>	<u>32</u>	0
North Carolina	<u>19</u>	1	0
Ohio	14	<u>10</u>	0
Pennsylvania	<u>21</u>	<u>21</u>	0
<u>South Carolina</u>	<u>2</u>	<u>0</u>	<u>0</u>
Tennessee	<u>43</u>	<u>41</u>	0
Texas	<u>1316</u>	<u>135</u>	0
Utah	2	<u>20</u>	0
Virginia	<u>24</u>	2	0
Wisconsin	1	1	0
Total	<u>5992</u>	<u>5924</u>	0

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit D. The name and last known address and telephone number of every current franchisee and every franchisee who has had a Hounds Town USA Franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during the one-year period ending December 31, ~~2023~~2024, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit D. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the Hounds Town USA Franchise System. You may wish to speak with current and former franchisees, but know that not all such franchisees can communicate with you. During the last three fiscal years, some franchisees/former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. If you buy a Hounds Town USA Franchise, your contact information may be disclosed to other buyers when you leave the 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 franchisee organizations.



ITEM 21
FINANCIAL STATEMENTS

Exhibit B contains the financial statements required to be included with this Franchise Disclosure Document: audited financial statements of Hounds Town, Inc. as of December 31, ~~2023~~2024, December 31, ~~2023~~2022 and December 31, ~~2021~~2022. Our fiscal year end is December 31st.

ITEM 22
CONTRACTS

The following exhibits contain proposed agreements regarding the Franchise:

Exhibit C	Franchise Agreement
Exhibit E	State Addenda and Agreement Riders
Exhibit G	Contracts for use with the Hounds Town USA Franchise
Exhibit H	Franchise Disclosure Questionnaire

ITEM 23
RECEIPT

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



EXHIBIT A

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**



**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

CALIFORNIA

State Administrator and Agent for Service of Process:
Commissioner
Department of Financial Protection and Innovation
320 W. 4th Street, #750
Los Angeles, CA 90013
(213) 576-7500
(866) 275-2677

HAWAII

Commissioner of Securities of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Agent for 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, HI 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
Chief, Franchise Division
500 S. Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA

Secretary of State
Securities Division
Room E-018
302 W. Washington Street
Indianapolis, IN 46204
(317) 232-6681

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202
(410) 576-6360

MARYLAND CONTINUED

Agent for Service of Process:
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
525 W. Ottawa Street
Lansing, MI 48913
(517) 373-7117

MINNESOTA

Department of Commerce
Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, MN 55101-3165
(651) 539-1600

NEW YORK

Administrator:
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

Agent for Service of Process:
Secretary of State
99 Washington Avenue
Albany, NY 12231

NORTH DAKOTA

Administrator:
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fourteenth Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Agent for Service of Process:
Securities Commissioner
600 East Boulevard Avenue
State Capitol, Fourteenth Floor, Dept. 414
Bismarck, ND 58505-0510

RHODE ISLAND

Department of Business Regulation
1511 Pontiac Avenue, Bldg. 68-2
Cranston, RI 02920
(401) 462-9527

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219

Agent for Service of Process:
Clerk of the State Corporation Commission
1300 E. Main Street, 1st Floor
Richmond, VA 23219

WASHINGTON

State Administrator:
Washington Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, WA 98504-1200
(360) 902-8760

Agent for Service for Process:
Director of Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501

WISCONSIN

Department of Financial Institutions
Division of Securities
201 W. Washington Avenue
Madison, WI 53703
(608) 266-3364

Rev. 090723



EXHIBIT B

FINANCIAL STATEMENTS





HOUNDS TOWN USA, LLC

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2024, 2023, AND 2022**



HOUNDS TOWN USA, LLC

Table of Contents

	<u>Page</u>
Independent auditor's report.....	3
Balance sheets	5
Statements of operations.....	6
Statements of members' deficit.....	7
Statements of cash flows	8
Notes to the financial statements	9





Independent Auditor's Report

To the Members
Hounds Town USA, LLC
Orlando, Florida

Opinion

We have audited the accompanying financial statements of Hounds Town USA, LLC, which comprise the balance sheets as of December 31, 2024, 2023, and 2022, and the related statements of operations, members' deficit, 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 Hounds Town USA, LLC as of December 31, 2024, 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 the Company 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezal S. Dunbar

St. George, Utah
February 27, 2025



HOUNDS TOWN USA, LLC
BALANCE SHEETS
As of December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets			
Cash	\$ 58,278	\$ 448,559	\$ 271,877
Accounts receivable	598,055	401,795	264,571
Prepaid expenses	40,851	24,290	8,069
Deferred commissions, current	24,683	20,998	47,434
Total current assets	<u>721,867</u>	<u>895,642</u>	<u>591,951</u>
Non-current assets			
Property and equipment, net	11,830	15,681	18,429
Right of use asset	-	40,885	79,779
Deferred commissions, non-current	2,199,494	2,615,326	1,922,646
Total non-current assets	<u>2,211,324</u>	<u>2,671,892</u>	<u>2,020,854</u>
Total assets	<u>\$ 2,933,191</u>	<u>\$ 3,567,534</u>	<u>\$ 2,612,805</u>
Liabilities and Members' Deficit			
Current liabilities			
Accounts payable	\$ 109,674	\$ 112,720	\$ 105,377
Credit card liability	125,210	62,522	134,445
Due to related parties	186,093	72,217	66,621
Due to member	39,954	34,864	35,614
Notes payable, current	12,821	4,315	2,501
Operating lease liability, current	-	40,885	38,894
Deferred revenue, current	60,860	52,600	135,350
Other current liabilities	67,685	60,250	-
Total current liabilities	<u>602,297</u>	<u>440,373</u>	<u>518,802</u>
Non-current liabilities			
Notes payable, non-current	259,214	96,927	118,588
Operating lease liability, non-current	-	-	40,885
Deferred revenue, non-current	5,394,300	6,938,449	5,106,891
Total non-current liabilities	<u>5,653,514</u>	<u>7,035,376</u>	<u>5,266,364</u>
Total liabilities	<u>6,255,811</u>	<u>7,475,749</u>	<u>5,785,166</u>
Members' deficit			
	<u>(3,322,620)</u>	<u>(3,908,215)</u>	<u>(3,172,361)</u>
Total liabilities and members' deficit	<u>\$ 2,933,191</u>	<u>\$ 3,567,534</u>	<u>\$ 2,612,805</u>

The accompanying notes are an integral part of these financial statements.



HOUNDS TOWN USA, LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenue			
Royalty fees	\$ 1,897,289	\$ 1,384,395	\$ 984,858
Initial franchise fees	2,662,092	1,532,204	1,419,245
Marketing fees	545,536	385,908	234,513
Technology fees	145,050	84,151	32,698
Total operating revenue	<u>5,249,967</u>	<u>3,386,658</u>	<u>2,671,314</u>
Operating expenses			
General and administrative	2,157,904	1,807,231	1,745,484
Professional fees	1,637,700	1,300,480	1,229,034
Advertising and marketing	843,503	1,008,552	1,129,313
Total operating expenses	<u>4,639,107</u>	<u>4,116,263</u>	<u>4,103,831</u>
Non-operating expense			
Interest expense	25,265	6,249	3,379
Total non-operating expense	<u>25,265</u>	<u>6,249</u>	<u>3,379</u>
Net income (loss)	<u>\$ 585,595</u>	<u>\$ (735,854)</u>	<u>\$ (1,435,896)</u>

The accompanying notes are an integral part of these financial statements.



HOUNDS TOWN USA, LLC
STATEMENTS OF MEMBERS' DEFICIT
For the years ended December 31, 2024, 2023, and 2022

Balance as of January 1, 2022	\$ (1,736,465)
Net loss	<u>(1,435,896)</u>
Balance as of December 31, 2022	(3,172,361)
Net loss	<u>(735,854)</u>
Balance as of December 31, 2023	(3,908,215)
Net income	<u>585,595</u>
Balance as of December 31, 2024	<u><u>\$ (3,322,620)</u></u>

The accompanying notes are an integral part of these financial statements.



HOUNDS TOWN USA, LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash flow from operating activities:			
Net income (loss)	\$ 585,595	\$ (735,854)	\$ (1,435,896)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Accrual of interest on note payable	-	-	677
Depreciation	5,628	8,190	2,048
Changes in operating assets and liabilities:			
Accounts receivable	(196,260)	(137,224)	159,183
Prepaid expenses	(16,561)	(16,221)	(8,069)
Deferred commissions	412,147	(666,244)	(444,080)
Accounts payable	59,642	(64,580)	88,582
Due to related parties	118,966	4,846	(119,677)
Deferred revenue	(1,535,889)	1,748,808	1,091,755
Other current liabilities	7,435	60,250	-
Net cash provided by operating activities	<u>(559,297)</u>	<u>201,971</u>	<u>(665,477)</u>
Cash flows from investing activities:			
Purchase of equipment	(1,777)	(5,442)	(20,477)
Net cash used in investing activities	<u>(1,777)</u>	<u>(5,442)</u>	<u>(20,477)</u>
Cash flows from financing activities:			
Net draws (repayments) on notes payable	170,793	(19,847)	102,685
Net cash provided by financing activities	<u>170,793</u>	<u>(19,847)</u>	<u>102,685</u>
Net change in cash	(390,281)	176,682	(583,269)
Cash at the beginning of the year	448,550	271,877	855,146
Cash at the end of the year	<u>\$ 58,278</u>	<u>\$ 448,559</u>	<u>\$ 271,877</u>
Supplementary disclosures of cash flows			
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

(iii) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Hounds Town USA, LLC (the "Company") was incorporated on October 2007 in the state of New York as Hounds Town, Inc. On March 28, 2022, the Hounds Town, Inc. merged with and into Hounds Town USA, LLC, a Florida limited liability company and wholly owned subsidiary of the Hounds Town, Inc. The merger falls outside of the scope of ASC 805, *Business Combinations*, and is accounted for as an accounting control transaction, resulting in no change to the historical financial statements of the Company. All of the assets, liabilities and operations of the Hounds Town, Inc. were assumed by Hounds Town USA, LLC, resulting in no change to the financial position, management or ownership of the remaining franchising company.

The Company was formed to grant the rights to own and operate a pet services outlet offering daycare services, dog boarding services, grooming, and other assorted services that are common in the pet care industry under the name Hounds Town USA. The Company grants each franchisee a non-transferable right to license use of its proprietary methods, trade names, service marks, trademarks, logos, and emblems.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission ("SEC"), superseding existing FASB, American Institute of Certified Public Accountants-emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. At December 31, 2024, 2023, and 2022, the Company had cash and cash equivalents of \$58,276, \$408,559, and \$271,877, respectively.

(e) Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for royalty fees, marketing fees, technology fees, and initial franchise fee. These receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. When determining the allowance for doubtful receivable, the Company has adopted ASC 326, *Financial Instruments—Credit Losses*. This standard requires that management utilize the Current Expected Credit Losses ("CECL") model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received.

As of December 31, 2024, 2023, and 2022, the Company had accounts receivable of \$998,055, \$401,795, and \$264,371, respectively. As of December 31, 2024, 2023, and 2022, the Company had no allowance for doubtful accounts.

(ii) Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation. Items in excess of \$1,000 that meet specific guidelines are capitalized. Expenditures for major renewals and improvements are capitalized. Minor replacements, maintenance, and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the result of operations for the respective period. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives for significant property and equipment categories are as follows:

Appliances	5 years
Computer software	3 years
Equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Leases of the useful life or less (term)

(g) Impairment Losses

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset.

(h) Leasing

The Company adopted ASC 842, *Leases* as of January 1, 2022, using the modified retrospective method. The Company has an operating lease for office space. This lease required adjustments to record the right-of-use asset and lease liability as of the date of implementation. Upon adoption, the Company recorded a right-of-use asset and lease liability of \$116,280. The lease liabilities reflect the present value of the Company's estimated future minimum lease payments over the lease term, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company's cash flows.

The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, will be recognized on a straight-line basis over the lease term.

(i) Revenue Recognition

The Company has adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenue is to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

components of the transaction price and the Company's performance obligations. The Company's revenues consist of initial franchise fees, royalties and marketing fees based on a percentage of gross revenues, and technology fees.

Royalty and marketing fees

Upon evaluation of the five-step process, the Company has determined that royalty and marketing fees are to be recognized in the same period as the underlying sale.

Technology fees

The Company provides technology services to its franchisees on a monthly basis. Upon evaluation of the five-step process, the Company has determined that technology fees are to be recognized in the same period as the services are provided.

Initial franchise fees

The Company is required to allocate the transaction price associated with initial franchise fees (between the franchise license and associated performance obligations). In identifying the associated performance obligations, the Company has elected to adopt the practical expedient for private company franchisees outlined in ASC 952-006, Franchise—Revenue from Contracts with Customers. In addition, the practical expedient allows franchisees in account for pre-opening services as a single distinct performance obligation, which the Company has elected to adopt. These pre-opening services include the following (which the Company may or may not provide all of):

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has allocated the portion of the initial fees equal to the fair value of pre-opening services, which are recognized upon the provision of all pre-opening services (generally the commencement of operations). The remainder has been allocated to the license and underlying intellectual property, which is recorded as deferred revenue and amortized over the life of the franchise agreement.

(f) Income Taxes

The Company is structured as a limited liability company under the laws of the state of Florida. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 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 rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

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. As of December 31, 2024, the 2023, 2022, and 2021 tax years are subject to examination.



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

(k) Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the fiscal years ending December 31, 2024, 2023, and 2022 were \$843,503, \$1,008,552, and \$1,129,313, respectively.

(l) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, pre-paid expenses, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value as current interest rates and terms offered to the Company for similar debt are substantially the same.

(m) Concentration of Risk

The Company maintains its cash in bank deposit accounts that 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.

(n) Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported results of operations.

(2) Operating Lease

The Company was the lessee in an operating lease for office space, which expired in 2024. The Company did not renew the lease, and no longer leases office space. As of December 31, 2023 and 2022, the Company recorded a right of use asset of \$40,885 and \$79,779, respectively. As of December 31, 2023 and 2022, the Company had the following operating lease liability:

	2023	2022
Operating lease liability, current	\$ 40,885	\$ 38,894
Operating lease liability, non-current	-	40,885
	\$ 40,885	\$ 79,779

(3) Property and Equipment

As of December 31, 2024, 2023, and 2022, the Company had the following property and equipment:

	2024	2023	2022
Furniture and equipment	\$ 27,696	\$ 25,919	\$ 20,477
Less: accumulated depreciation	(15,866)	(10,238)	(2,048)
	\$ 11,830	\$ 15,681	\$ 18,429

Depreciation expense for the years ended December 31, 2024, 2023, and 2022 was \$5,628, \$8,190, and \$2,048, respectively.



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

(4) Franchise Agreements

The Company's franchise agreements generally provide for payment of initial fees as well as continuing royalty and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Hounds Town system for a period of ten years. Under the Company's revenue recognition policy, the Company allocates a portion of the initial franchise fee to pre-opening services, which is recognized when the franchisee begins operations. The remainder is deferred, and the revenue is amortized over the life of the contract. In addition, the Company defers related contract costs such as broker commissions over the same period and records them as deferred contract costs.

The Company has estimated the following current and non-current portions of deferred contract costs as of December 31, 2024, 2023, and 2022.

	2024	2023	2022
Deferred commissions, current	\$ 24,683	\$ 20,998	\$ 47,434
Deferred commissions, non-current	2,199,494	2,615,326	1,922,646
	<u>\$ 2,224,177</u>	<u>\$ 2,636,324</u>	<u>\$ 1,970,080</u>

The Company has estimated the following current and non-current portions of deferred revenue as of December 31, 2024, 2023, and 2022.

	2024	2023	2022
Deferred revenue, current	\$ 60,860	\$ 52,600	\$ 135,350
Deferred revenue, non-current	5,594,300	6,938,449	5,106,891
	<u>\$ 5,655,160</u>	<u>\$ 6,991,049</u>	<u>\$ 5,242,241</u>

(5) Notes Payable

As of December 31, 2024, 2023, and 2022, the Company had the following notes payable:

	2024	2023	2022
Note payable to the United State Small Business Administration ("SBA") with a principal balance of \$17,000, annual interest of 3.75%, monthly payments of \$79, and a maturity date of June 14, 2050	\$ 17,769	\$ 18,093	\$ 18,404
Note payable to members with a principal balance of \$159,149, annual interest of 8%, monthly payments of \$2,031, and a maturity date of July 1, 2031	154,266	83,149	102,685
Note payable to an affiliate through common ownership with a principal balance of \$100,000, annual interest of 0.755%, monthly interest-only payments, and a maturity date of December 31, 2027	100,000	-	-
	272,035	101,242	121,089
Less: current maturities of long-term debt	(12,821)	(4,315)	(2,501)
	<u>\$ 259,214</u>	<u>\$ 96,927</u>	<u>\$ 118,588</u>



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

(6) Related Party Transactions

(a) Due to Related Parties

The Company has taken short-term loans from various related parties. These amounts do not accrue interest and are due upon demand. As of December 31, 2024, 2023, and 2022, the total amount due to related parties was \$186,093, \$72,217, and \$66,621, respectively.

(b) Due to Member

A member has provided funds to increase working capital and to cover operating costs. The amount does not accrue interest and is due upon demand. As of December 31, 2024, 2023, and 2022, the amount due to member was \$39,954, \$34,864, and \$35,614, respectively.

(7) 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 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 involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(8) Subsequent Events

Management has reviewed and evaluated subsequent events through February 27, 2025, the date on which the financial statements were issued.





HOUNDS TOWN USA, LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023, 2022, AND 2021



HOUNDS TOWN USA, LLC

Table of Contents

	<u>Page</u>
Independent auditor’s report.....	3
Balance sheets	5
Statements of operations.....	6
Statements of members’ deficit	7
Statements of cash flows	8
Notes to the financial statements	9



Independent Auditor's Report

To the Members
Hounds Town USA, LLC
Orlando, FL

Opinion

We have audited the accompanying financial statements of Hounds Town USA, LLC, which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of operations, members' deficit, 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 Hounds Town USA, LLC as of December 31, 2023, 2022, and 2021, 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 the Company 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Keza Dinkley

St. George, Utah
February 23, 2024



HOUNDS TOWN USA, LLC
BALANCE SHEETS
As of December 31, 2023, 2022, and 2021

	2023	2022	2021
Assets			
Current assets			
Cash	\$ 448,559	\$ 271,877	\$ 855,146
Accounts receivable	401,795	264,571	423,754
Prepaid expenses	24,290	8,069	-
Deferred commissions, current	20,998	47,434	96,346
Total current assets	895,642	591,951	1,375,246
Non-current assets			
Property and equipment, net	15,681	18,429	-
Right of use asset	40,885	79,779	-
Deferred commissions, non-current	2,615,326	1,922,646	1,429,654
Total non-current assets	2,671,892	2,020,854	1,429,654
Total assets	\$ 3,567,534	\$ 2,612,805	\$ 2,804,900
Liabilities and Members' Deficit			
Current liabilities			
Accounts payable	\$ 112,720	\$ 105,377	\$ 109,918
Credit card liability	62,522	134,445	41,322
Due to related parties	72,217	66,621	136,372
Due to member	34,864	35,614	65,540
Note payable, current	323	311	189
Note payable to members, current	3,992	2,190	-
Operating lease liability, current	40,885	38,894	-
Deferred revenue, current	52,600	135,350	228,550
Other current liabilities	60,250	-	-
Total current liabilities	440,373	518,802	601,891
Non-current liabilities			
Note payable, non-current	17,770	18,093	17,538
Note payable to members, non-current	79,157	100,495	-
Operating lease liability, non-current	-	40,885	-
Deferred revenue, non-current	6,938,449	5,106,891	3,921,936
Total non-current liabilities	7,035,376	5,266,364	3,939,474
Total liabilities	7,475,749	5,785,166	4,541,365
Members' deficit			
Common stock	-	-	100
Additional paid-in capital	-	-	70,000
Members' interests	70,100	70,100	-
Accumulated deficit	(3,978,315)	(3,242,461)	(1,806,565)
Total members' deficit	(3,908,215)	(3,172,361)	(1,736,465)
Total liabilities and members' deficit	\$ 3,567,534	\$ 2,612,805	\$ 2,804,900

The accompanying notes are an integral part of these financial statements.



HOUNDS TOWN USA, LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenue			
Royalty fees	\$ 1,384,395	\$ 984,858	\$ 634,825
Initial franchise fees	1,532,204	1,419,245	500,129
Marketing fees	385,908	234,513	-
Technology fees	84,151	32,698	-
Total operating revenue	<u>3,386,658</u>	<u>2,671,314</u>	<u>1,134,954</u>
Operating expenses			
Advertising and marketing	1,008,552	1,129,313	535,090
Professional fees	1,300,480	1,229,034	771,091
General and administrative	1,807,231	1,745,484	842,533
Total operating expenses	<u>4,116,263</u>	<u>4,103,831</u>	<u>2,148,714</u>
Other expense			
Interest expense	6,249	3,379	977
Total other expense	<u>6,249</u>	<u>3,379</u>	<u>977</u>
Net loss	<u>\$ (735,854)</u>	<u>\$ (1,435,896)</u>	<u>\$ (1,014,737)</u>

The accompanying notes are an integral part of these financial statements.



HOUNDS TOWN USA, LLC
STATEMENTS OF MEMBERS' DEFICIT
 for the years ended December 31, 2023, 2022, and 2021

	Common Stock	Additional Paid-in Capital	Members' Drawings	Accumulated Deficits	Total
Balance at December 31, 2021	\$ -	\$ -	\$ -	\$ (11,028)	\$ (11,028)
Adjusted Dividends received	-	-	-	2,000	(2,000)
Net Loss	-	-	-	(1,014,224)	(1,014,224)
Balance at December 31, 2022	\$ -	\$ -	\$ -	\$ (1,025,252)	\$ (1,025,252)
Common P.L.L.C. Interest	1,000	(20,000)	20,000	-	-
Net Loss	-	-	-	(1,058,861)	(1,058,861)
Balance at December 31, 2023	\$ 1,000	\$ (20,000)	\$ 20,000	\$ (2,084,113)	\$ (2,083,113)
Balance at December 31, 2023	\$ 1,000	\$ (20,000)	\$ 20,000	\$ (2,084,113)	\$ (2,083,113)

The accompanying notes are an integral part of these financial statements.



HOUNDS TOWN USA, LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:			
Net loss	\$ (735,854)	\$ (1,435,896)	\$ (1,014,737)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Accrual of interest	(311)	677	727
Depreciation	8,190	2,048	-
Changes in operating assets and liabilities:			
Accounts receivable	(137,224)	159,183	62,352
Prepaid expenses	(16,221)	(8,069)	-
Deferred commissions	(666,244)	(444,080)	(853,478)
Accounts payable	(64,580)	88,582	110,021
Due to related parties	4,846	(119,677)	61,996
Deferred revenue	1,748,808	1,091,755	2,171,871
Other current liabilities	60,250	-	-
Net cash provided by operating activities	<u>201,660</u>	<u>(665,477)</u>	<u>538,752</u>
Cash flows from investing activities:			
Purchase of equipment	(5,442)	(20,477)	-
Net cash used in investing activities	<u>(5,442)</u>	<u>(20,477)</u>	<u>-</u>
Cash flows from financing activities:			
Stockholder dividends	-	-	(20,000)
Net draws on note payable to member	(19,536)	102,685	100,000
Net cash provided by financing activities	<u>(19,536)</u>	<u>102,685</u>	<u>80,000</u>
Net change in cash	176,682	(583,269)	618,752
Cash at the beginning of the year	271,877	855,146	236,394
Cash at the end of the year	<u>\$ 448,559</u>	<u>\$ 271,877</u>	<u>\$ 855,146</u>
Supplementary disclosures of cash flows			
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023, 2022, and 2021

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Hounds Town USA, LLC (the "Company") was incorporated on October 2007 in the state of New York as Hounds Town, Inc. On March 28, 2022, the Hounds Town, Inc. merged with and into Hounds Town USA, LLC, a Florida limited liability company and wholly owned subsidiary of the Hounds Town, Inc. The merger falls outside of the scope of ASC 805, *Business Combinations*, and is accounted for as a common control transaction, resulting in no change to the historical financial statements of the Company. All of the assets, liabilities and operations of the Hounds Town, Inc. were assumed by Hounds Town USA, LLC, resulting in no change to the financial position, management or ownership of the remaining franchising company.

The Company was formed to grant the rights to own and operate a pet services outlet offering daycare services, dog boarding services, grooming and other assorted services that are common in the pet care industry under the name Hounds Town USA. The Company grants each franchisee a non-transferrable right to license use of the proprietary methods, trade names, service marks, trademarks, logos, and emblems.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission ("SEC"), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Reclassification

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the presentation in the current period financial statements.

(e) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2023, 2022, and 2021, the Company had cash and cash equivalents of \$448,559, \$271,877, and \$855,146, respectively.

(f) Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for royalty fees, marketing fees, technology fees, and initial franchise fees. Accounts receivable are recorded at the invoiced amount and do not bear interest although a finance charge may be applied to such receivables that are past the due date. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical collections, customers' current creditworthiness, age of the receivable balance both individually and in the



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023, 2022, and 2021

aggregate, and general economic conditions that may affect the customer's ability to pay. All account balances are reviewed on an individual basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. When recoveries of receivables previously charged off are made, they are recognized as income when payment is received.

As of December 31, 2023, 2022, and 2021, the Company had accounts receivable of \$401,795, \$264,571, and \$423,754, respectively. As of December 31, 2023, 2022, and 2021, the Company had no allowance for doubtful accounts.

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Items in excess of \$1,000 that meet specific guidelines are capitalized. Expenditures for major renewals and improvements are capitalized. Minor replacements, maintenance, and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the result of operations for the respective period. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives for significant property and equipment categories are as follows:

Automobiles	5 years
Computer software	3 years
Equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of the useful life or lease term

(h) Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset.

(i) Leasing

The Company adopted ASC 842, *Leases* as of January 1, 2022, using the modified retrospective method. The Company has an operating lease for office space. This lease required adjustments to record the right-of-use asset and lease liability as of the date of implementation. Upon adoption, the Company recorded a right-of-use asset and lease liability of \$116,780. The lease liabilities reflect the present value of the Company's estimated future minimum lease payments over the lease terms, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company's cash flows.

The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, will be recognized on a straight-line basis over the lease term.

(j) Revenue Recognition

The Company has adopted ASC 606, *Revenue from Contracts with Customers*. The Company's revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees, royalties and marketing fees based on a percentage of gross revenues, and technology fees.



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023, 2022, and 2021

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fees, and technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that royalties and marketing fees, which are based on a percentage of gross revenue reported by franchisees, are to be recognized at the time the underlying sales occur. Technology fees are recognized in the period that services are provided to franchisees. In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- ~~Bookkeeping, information technology, and advisory services, including setting up the franchisee's records~~
- and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has allocated the portion of the initial fees equal to the fair value of pre-opening services, which are recognized upon commencement of operations. The remainder has been allocated to the license and underlying intellectual property, which is recorded as deferred revenue and amortized over the life of the franchise agreement.

(k) Income Taxes

The Company is structured as a limited liability company under the laws of the state of Florida. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 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 rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

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. As of December 31, 2023, the 2022, 2021, and 2020 tax years are subject to examination.

(l) Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the fiscal years ending December 31, 2023, 2022, and 2021 were \$1,008,552, \$1,129,313, and \$535,090, respectively.



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023, 2022, and 2021

(m) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, pre-paid expenses, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value as current interest rates and terms offered to the Company for similar debt are substantially the same.

(n) Concentration of Risk

The Company maintains its cash in bank deposit accounts that 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.

(o) Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported results of operations.

(2) Operating Lease

The Company is the lessee in an operating lease for office space, which expires in 2024. As the Company adopted ASC 842 on January 1, 2022, there are no right of use assets or operating lease liabilities as of December 31, 2021. As of December 31, 2023 and 2022, the Company recorded a right of use asset of \$40,885 and \$79,779, respectively. As of December 31, 2023 and 2022, the Company had the following operating lease liability:

	2023	2022
Operating lease liability, current	\$ 40,885	\$ 38,894
Operating lease liability, non-current	-	40,885
	\$ 40,885	\$ 79,779

(3) Property and Equipment

As of December 31, 2021, the Company had no property and equipment. As of December 31, 2023 and 2022, the Company had the following property and equipment:

	2023	2022
Furniture and equipment	\$ 25,919	\$ 20,477
Less: accumulated depreciation	(10,238)	(2,048)
	\$ 15,681	\$ 18,429

Depreciation expense for the years ended December 31, 2023 and 2022 was \$8,190 and \$2,048, respectively.

(4) Franchise Agreements

The Company's franchise agreements generally provide for payment of initial fees as well as continuing royalty and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Hounds Town system for a period of ten years. Under the Company's revenue recognition policy, the Company allocates a portion of the initial franchise fee to pre-opening services, which is recognized when the franchisee begins operations. The remainder is deferred, and the revenue is amortized over the life of the contract. In addition, the Company defers related contract costs such as broker commissions over the same period and records them as deferred contract costs.



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023, 2022, and 2021

The Company has estimated the following current and non-current portions of deferred contract costs as of December 31, 2023, 2022, and 2021:

	2023	2022	2021
Deferred commissions, current	\$ 20,998	\$ 47,434	\$ 96,346
Deferred commissions, non-current	2,615,326	1,922,646	1,429,654
	<u>\$ 2,636,324</u>	<u>\$ 1,970,080</u>	<u>\$ 1,526,000</u>

The Company has estimated the following current and non-current portions of deferred revenue as of December 31, 2023, 2022, and 2021:

	2023	2022	2021
Deferred revenue, current	\$ 52,600	\$ 135,350	\$ 228,550
Deferred revenue, non-current	6,938,449	5,106,891	3,921,936
	<u>\$ 6,991,049</u>	<u>\$ 5,242,241</u>	<u>\$ 4,150,486</u>

(5) Note Payable

On June 14, 2020, the Company entered into a promissory note with the United States Small Business Administration ("SBA") with a principal balance of \$17,000. The note accrues interest at 3.75% per annum, requires monthly payments of \$79 beginning in January 2023, and has a maturity date of June 14, 2050. As of December 31, 2023, the outstanding balance on the promissory note was \$18,093, which includes \$1,093 of accrued interest. As of December 31, 2022, the outstanding balance on the promissory note was \$18,404, which includes \$1,404 of accrued interest. December 31, 2021, the outstanding balance on the promissory note was \$17,727, which includes \$727 of accrued interest. As of December 31, 2023, 2022, 2021, the estimated current portion of the promissory note is \$323, \$311, and \$189, respectively.

(6) Related Party Transactions

(a) Due to Related Parties

The Company has taken short-term loans from various related parties. These amounts do not accrue interest and are due upon demand. As of December 31, 2023, 2022, and 2021, the total amount due to related parties was \$72,217, \$66,621, and \$156,372, respectively.

(b) Due to Member

During the year ended December 31, 2021, a member provided funds to increase working capital and to cover operating costs. The amount does not accrue interest and is due upon demand. As of December 31, 2023, 2022, and 2021, the amount due to member was \$34,864, \$35,614, and \$65,540, respectively.

(c) Note Payable to Members

During the year ended December 31, 2022, the Company's members provided funds to increase working capital and to cover operating costs. The loan had an initial principal balance of \$102,685, accrues interest at an annual rate of 5.49%, and requires monthly payments of \$706 beginning in January 2023. As of December 31, 2023, the note had a current and non-current balance of \$3,992 and \$79,157, respectively. As of December 31, 2022, the note had a current and non-current balance of \$2,190 and \$100,495, respectively.



HOUNDS TOWN USA, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023, 2022, and 2021

(7) 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 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 involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(8) Subsequent Events

Management has reviewed and evaluated subsequent events through February 23, 2024, the date on which the financial statements were issued.



EXHIBIT C

FRANCHISE AGREEMENT



EXHIBIT C



**HOUNDS TOWN USA, LLC
FRANCHISE AGREEMENT**

Franchise #: _____

Franchisee: _____

Date: _____

Territory: _____



TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF FRANCHISEE.....	4
2. GRANT OF LICENSE	5
3. TERM OF THE AGREEMENT AND LICENSE	6
4. TERRITORY	7
5. FEES	8
6. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES	10
7. SERVICES AND ASSISTANCE	13
8. FRANCHISEE’S DUTIES, OBLIGATIONS AND OPERATING STANDARDS	16
9. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES.....	25
10. MARKS, COPYRIGHTED MATERIALS AND OWNERSHIP OF IMPROVEMENTS.....	26
11. ADVERTISING AND PROMOTION	29
12. INSURANCE AND INDEMNITY	34
13. RELATIONSHIP	36
14. RESTRICTIVE COVENANTS.....	37
15. ASSIGNMENT	38
16. OPTION TO PURCHASE - RIGHT OF FIRST REFUSAL.....	42
17. DEFAULT AND TERMINATION	44
18. CONDEMNATION AND CASUALTY	51
19. NOTICES.....	51
20. DISPUTE RESOLUTION	52
21. MISCELLANEOUS	55

ATTACHMENTS:

- A. Franchise Data Sheet
- B. Owners Agreement
- C. Statement of Ownership
- D. Minimum Insurance Requirements
- E. Washington Franchise Agreement Addendum



FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Franchise Agreement”) is made and entered into by and between **Hounds Town USA, LLC**, a Florida limited liability company located at 150 E. Robinson St., Unit 2008, Orlando, Florida 32801 (“we,” “us,” “our,” or “Franchisor”), and the “Franchise Owner” identified in Attachment A of this Franchise Agreement (“you,” “your,” or “Franchisee”) effective as of the “Effective Date” identified in Attachment A of this Franchise Agreement.

RECITALS

WHEREAS, Franchisor is offering franchises for the operation of interactive dog care facilities offering daycare services, dog boarding services, grooming and other related products and services to the general public (“Hounds Town USA Business(es)”).

WHEREAS, the Hounds Town USA Businesses are operated under a business format utilizing a unique system with high standards of service, including valuable know-how, information, trade secrets, confidential information, training methods, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, and research and development (“System”).

WHEREAS, the distinguishing characteristics of the System include the trademark “**HOUNDS TOWN USA**” and other trademarks and trade names, service marks, logos, confidential operating procedures, the confidential Franchise Brand Standards Manual (as defined below), standards and specifications for equipment, services and products, methods of service, management and marketing programs and sales techniques and strategies. All of these distinguishing characteristics may be changed, improved, and further developed by Franchisor. They are Franchisor’s confidential information and trade secrets and are designated by and identified with the Marks described in this Franchise Agreement.

WHEREAS, Franchisee acknowledges the benefits of being identified with the System and the value of the Mark.

WHEREAS, Franchisee acknowledges the importance to the System and uniform standards of quality, service and customer satisfaction, and recognizes the necessity of opening and operating a Hounds Town USA Business in conformity with the System.

WHEREAS, Franchisee recognizes that this Franchise Agreement places detailed obligations on Franchisee, including strict adherence to Franchisor’s reasonable present and future requirements regarding the types of products sold, services offered, advertising used, operational techniques and marketing and sales strategies.

WHEREAS, Franchisee is aware of the foregoing and desires the right to use the System and the Marks, and wishes to be assisted, trained, and licensed to operate a Hounds Town USA Business under the provisions and within the territory specified in this Franchise Agreement, subject to the terms and conditions in this Franchise Agreement.

The parties agree as follows:



DEFINITIONS

For the purposes of this Franchise Agreement, the following terms are hereby defined:

(a) “Affiliate” - means any person or Entity that controls, is controlled by, or is in common control with, Franchisor or Franchisee.

(b) “Anti-Terrorism Laws” - means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

(c) “Confidential Information” - means the Franchise Brand Standards Manual, training materials and techniques, electronic information and communications, sales and promotional materials, all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the System and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, Franchisee’s Hounds Town USA Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, email addresses, customer purchase records, customer information, customer lists, manuals, promotional and marketing materials, marketing strategies and any other data Franchisor designates as confidential. For purposes of clarification, and not by way of limitation, Confidential Information shall include “Business Records” as described in Section 6.9.

(d) “Entity” - means a legal entity such as a limited liability company, partnership or corporation.

(e) “Facility” - means the retail location, commercial facility, or other approved location from which Franchisee will operate the Hounds Town USA Business.

(f) “Franchise” - means the Hounds Town USA Business operated by Franchisee under the terms of this Franchise Agreement.

(g) “Franchise Agreement” - means this agreement, attachments, and subsequent, written amendments.

(h) “Franchise Disclosure Document” - means the franchise disclosure document that was presented to you that contained this Franchise Agreement as an exhibit.

(i) “Franchise Brand Standards Manual” - means, but is not limited to, all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, email, Internet or intranet data, or other publications, documents, software programs, videos, transmittances or communications, in any form (including electronic form) prepared by or for Franchisor for use by franchisees generally or for Franchisee in particular, including information, advice and standards, requirements, marketing information and procedures, operating procedures, instructions or policies relating to the operation of the Hounds Town USA Business or the operation of franchises, as may be amended by Franchisor.



(j) “Gross Sales” - means the total selling price of all products and services sold at, from, or through Franchisee’s Hounds Town USA Business, whether or not sold or performed at or from the Hounds Town USA Business, including the full redemption value of any voucher or coupon sold for use at the Hounds Town USA Business (fees retained by or paid to third-party sellers of such vouchers or coupons are not excluded from this calculation), and all income, revenue and consideration of every other kind and nature related to the Hounds Town USA Business operation, whether for cash or credit, and regardless of collection in the case of credit. Gross Sales do not include:

~~(k)~~(i) amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided the amount of any such tax is shown separately and paid by Franchisee to the appropriate governmental authority; and

~~(l)~~(ii) all customer refunds, Franchisor authorized discounts and coupons, and credits made by the Hounds Town USA Business (exclusions will include no reductions for credit card user fees, returned checks or reserves for bad credit or doubtful accounts).

Gross Sales shall be deemed received by Franchisee when the services or products from which they were derived are delivered or rendered or when the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer’s personal check) has been received by Franchisee. Gross Sales from products or services bartered shall be valued at the retail prices applicable and in effect when they are received. Franchisor reserves the right to institute policies regarding the inclusion of any pre-paid goods or services (including without limitation, gift cards and gift certificates), and their delivery and redemption, in Gross Sales.

~~(m)~~(k) “Initial Term” - means the period beginning on the Effective Date and ending ten years after the Effective Date, and any applicable “Interim Period” (as defined in Section 3.5 below).

~~(n)~~(l) “Lease” - means any agreement (oral or written) which grants the right to occupy a Facility and any amendment. Franchisee acknowledges and agrees that before any Lease will be accepted by Franchisor, the Lease must incorporate the “Required Terms” (as defined in Section 8.2(c) below).

~~(o)~~(m) “Marks” - shall mean the trademark “HOUNDS TOWN USA” and any other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or other identifying items designated by Franchisor as part of the System for use by franchisees, and not later withdrawn.

~~(p)~~(n) “Multi-Franchise Addendum” - means the agreement entered into between Franchisor and Franchisee granting Franchisee, or an Entity owned by Franchisee and/or the Owners of Franchisee, the right to establish and operate multiple Hounds Town USA Franchises.

~~(q)~~(o) “Opening Date” - means the date Franchisee’s Hounds Town USA Business first opens to the public to provide the Products and Services.

~~(r)~~(p) “Products” - means all supplies, material, equipment, and ancillary items sold, leased, prepared or otherwise dealt with in connection with the Hounds Town USA Business and associated with the Marks.

~~(s)~~(q) “Services” - means the interactive dog care facilities offering daycare services, dog boarding services, grooming and other assorted other services and products offered to the general public



and related activities conducted or otherwise provided in connection with the Hounds Town USA Business and associated with the Marks.

~~(t)~~(r) “Site Selection Assistance” - means all services provided by Franchisor for the selection and authorization of the Facility. Site Selection Assistance is fully defined in the Franchise Brand Standards Manual and Franchisor has the right to modify the site selection services in Franchisor’s discretion.

~~(u)~~(s) “Trade Secret(s)” - means information, formulas, patterns, compilations, programs, devices, methods, training techniques or processes related to the System that derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

1. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF FRANCHISEE

Franchisee covenants, represents, and warrants the following and acknowledges Franchisor is relying on the same in deciding to enter into this Franchise Agreement:

1.1 Franchisee has funds or has made firm arrangements to acquire funds to commence, open and operate the Hounds Town USA Business and it is financially and otherwise able to accept the risks attendant upon entering into this Franchise Agreement.

1.2 All statements made by Franchisee in writing in connection with its application for this Franchise were, to the best of Franchisee’s knowledge, true when made and continue to be true as of the date of this Franchise Agreement.

1.3 Franchisee did not sign this Franchise Agreement in reliance on the continued participation by or employment of any of Franchisor’s shareholders, directors, officers, or employees.

1.4 There are no outstanding actual or contingent material financial obligations of Franchisee as of the date of this Franchise Agreement other than those disclosed to Franchisor by Franchisee in writing.

1.5 Franchisee is not a party to or subject to any court or administrative order or action of any governmental authority which would limit or interfere in any way with the performance of its obligations under this Franchise Agreement or any related agreement.

1.6 Franchisee is not a party to any litigation or legal proceedings other than as disclosed to Franchisor in writing.

1.7 Franchisee represents it is not a party to or subject to agreements that might conflict with this Franchise Agreement and agrees not to enter into any conflicting agreements during the Initial Term or any Successor Term.

1.8 Franchisee acknowledges that Franchisee has been granted franchise rights based on the information supplied to Franchisor in Franchisee’s application.

1.9 Franchisee shall comply with all laws, regulations, and requirements applicable to the Hounds Town USA Business.



1.10 Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws. In connection with such compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws.

(a) Franchisee and its owners certify that neither they, their respective employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224. Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

(b) Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224.

(c) Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Franchise Agreement pertain to its obligations under this Section 1.10.

(d) Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, agents, its employees shall constitute grounds for immediate termination of this Franchise Agreement and any other agreement Franchisee has entered into with Franchisor or any of Affiliates.

1.11 If more than one person or Entity is listed as the Franchisee, each such person or Entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Franchise Agreement. If Franchisee is an Entity, each of Franchisee's direct and indirect owners and their respective spouses will execute the Owners Agreement, in the form attached hereto as Attachment B, undertaking personally to be bound, jointly and severally, by all provisions of this Franchise Agreement and any ancillary agreements between Franchisor and Franchisee. Subject to Franchisor's rights and Franchisee's obligations under Section 15, Franchisee and Franchisee's owners agree to sign and to deliver to Franchisor revised versions of Attachment B from time to time to reflect any changes in the information that Attachment B now contains.

2. GRANT OF LICENSE

2.1 Subject to all the terms and conditions of this Franchise Agreement, Franchisor grants to Franchisee, and Franchisee accepts, for the Initial Term, the right and license ("License") to:

(a) Operate one Hounds Town USA Business in the territory described in Attachment A ("Territory");

(b) Use the Marks and the System; and

(c) Offer and market only Franchisor's approved Services and Products, unless Franchisor approves in writing in its sole and absolute discretion, Franchisee's request to offer and market complementary and non-competing services or products.

2.2 Franchisee recognizes that variations and additions to the System may be required to preserve and/or enhance the System. Franchisor expressly reserves the right to add to, subtract from,



revise, modify or change the System or any part thereof, including but not limited to the adoption and use of new or modified trade names, trademarks, service marks, or copyrighted materials, new products, new equipment, or new techniques. Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures to comply with Section 8.

2.3 Franchisee recognizes that the rights granted to Franchisee are for the approved location within the specific Territory as stipulated in Section 4 and defined in Attachment A and no other, and cannot be transferred to an alternate Territory without the prior written approval of Franchisor, which may be granted or withheld in Franchisor's sole discretion.

3. TERM OF THE AGREEMENT AND LICENSE

3.1 This Franchise Agreement is effective on the Effective Date and continues through the end of the Initial Term, unless terminated sooner under Section 17. Upon the expiration of the Initial Term, Franchisee shall have the option, subject to the terms of this Franchise Agreement, to extend Franchisee's rights to operate the Hounds Town USA Business for two additional, consecutive terms of ten years each (each a "Successor Term"). With the Successor Term, Franchisee must pay the Successor Franchise Fee in Section 3.2(b) and comply with the requirements in this Section 3.

3.2 To qualify for the Successor Term, Franchisee must:

(a) Unless otherwise prohibited by state law, execute and cause each of Franchisee's owners to execute a general release of all claims known or unknown Franchisee and its owners may have against Franchisor, its officers, directors, members, shareholders, agents, Affiliates, and employees, whether in their corporate and/or individual capacities. This release shall include all claims arising under any federal, state, or local law, rule, or ordinance arising out of or concerning this Franchise Agreement (to the fullest extent permitted by law) and shall be in a form satisfactory to Franchisor. Unless otherwise prohibited by state law, Franchisee's failure or refusal to sign such a release in the form presented by Franchisor shall be deemed a rejection by Franchisee of its option to extend its rights to operate the Hounds Town USA Business;

(b) Pay: (1) the successor franchise fee ("Successor Franchise Fee") of fifty percent (50%) of the then-current Initial Franchise Fee (or, if Franchisor is not then offering franchises for sale, fifty percent (50%) of the initial franchise fee listed in Franchisor's most recent franchise disclosure document), plus the costs of training, and (2) fifty reimbursement of Franchisor's actual costs incurred in providing renovations and updating support for the Hounds Town USA Business, if required, plus ten percent (50%) then-current launch fee 10% of those costs as an administration charge ("Successor Launch Fee"), payable to Franchisor to cover certain expenses related to Franchisor's support of Franchisee's renewal which will not exceed \$30,000. The Successor Franchise Fee and Successor Launch Fee are both due and payable to Franchisor at the time of signing a new Franchise Agreement;

(c) Upgrade the Facility, vehicle, computer system, furniture, fixtures and other provisions used in the operation of Franchisee's Hounds Town USA Business to Franchisor's then-current standards;

(d) Comply with all other provisions contained in the Franchise Brand Standards Manual, as modified periodically by Franchisor in Franchisor's sole discretion; and

(e) Provide proof of current licenses, insurance and permits.



3.3 Franchisor may refuse to allow Franchisee to enter into a Successor Term if Franchisee has done any of the following:

- (a) Failed to remedy any breach of this Franchise Agreement specified by Franchisor in a written notice to Franchisee required by Sections 17.1, 17.2 or 17.4;
- (b) Committed and received notice of two or more breaches of this Franchise Agreement in the 24 months prior to the end of the Initial Term, even if such breaches were timely remedied;
- (c) Failed to give Franchisor a written notice of intent to renew no less than six months or over nine months prior to expiration of the Term;
- (d) Franchisee is not current in payments to Franchisor or to Franchisee's lessor, suppliers, or trade creditors; or
- (e) Franchisee is in breach of any other agreements with Franchisor or its Affiliates.

3.4 If Franchisee extends its rights to operate the Hounds Town USA Business at the end of the Initial Term or a Successor Term and Franchisor consents to such extension, Franchisee will execute a new Franchise Agreement ("Successor Franchise Agreement") and all other agreements and ancillary documents in the form then being used by Franchisor in granting new franchises, which may contain materially different terms and conditions (including, for example, higher Royalty Fees, Brand Fund Contributions, and other fees). Franchisor reserves the right to change any term(s) of the Franchise Agreement form to be signed by Franchisee when Franchisee extends its rights to operate the Hounds Town USA Business, except Franchisor will not charge another Initial Franchise Fee when Franchisee signs Successor Franchise Agreement, and Franchisor reserves the right to revise Franchisee's Territory. In Franchisor's sole discretion, Franchisee may be deemed to have irrevocably declined to extend its rights to operate the Franchise (and its option shall thereupon terminate) if it fails to execute and return to Franchisor the Successor Franchise Agreement and other documents required by Franchisor within 30 days after their delivery to Franchisee, or fails to comply in any other way with the provisions of this Section 3.

3.5 If Franchisee does not sign a Successor Franchise Agreement when this Franchise Agreement expires and continues to accept the benefits of this Franchise Agreement after the expiration, then at the option of Franchisor, this Franchise Agreement may be treated either as: (i) expired as of the date of expiration with Franchisee then operating in violation of this Franchise Agreement; or (ii) continued on a month-to-month basis ("Interim Period") until one party provides the other with written notice of its intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of the notice to terminate the Interim Period. All obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration shall be deemed to take effect upon termination of the Interim Period.

4. TERRITORY

4.1 During the Initial Term, except as otherwise provided in this Franchise Agreement, neither Franchisor nor any Affiliate will establish or license another person or Entity to establish a Hounds Town USA Business using the Marks licensed to Franchisee within the Territory. Franchisee is not prohibited from directly marketing to or soliciting customers outside of Franchisee's Territory so long as Franchisee follows any marketing and soliciting policies and procedures contained in Franchisor's



Franchise Brand Standards Manual and those customers are not located in the territory of another Hounds Town USA franchisee. Franchisee is not granted any rights to pursue any of Franchisor's or its Affiliates' other business concepts, if any, other than the Hounds Town USA Business.

4.2 Franchisee acknowledges that the Franchise granted hereunder is non-exclusive and Franchisor and its Affiliates retain all rights not expressly granted to Franchisee, including but not limited to::

(a) to own, franchise, acquire, operate and license to others to operate a Hounds Town USA Business at any location outside of the Territory, regardless of the proximity to the Facility (even if there may be some impact to your business within the Territory);

(b) to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business which provides daycare services, dog boarding services, grooming and related products and services, at any location, including within the Territory, similar to or different from the business operated by Franchisee;

(c) to use the Marks and the System to sell any products or services, similar to those which Franchisee will sell, through any alternate channels of distribution within or outside of the Territory (even if these businesses are in competition with you). This includes, but is not limited to, retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. Franchisor exclusively reserves the Internet as a channel of distribution, and Franchisee may not independently market on the Internet or conduct e-commerce unless authorized by Franchisor, which authorization may be revoked by Franchisor in its discretion;

(d) to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or to be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with Franchisee's Hounds Town USA Franchise, wherever located, provided that in such situations the newly acquired businesses will not operate under the Marks inside the Territory;

(e) to implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere. Franchisor has the right to issue mandatory policies to coordinate such multi-area marketing programs; and

(f) to engage in any other business activities not expressly prohibited by this Franchise Agreement.

Franchisor is not required to pay Franchisee if Franchisor exercises any of its rights within Franchisee's Territory. Franchisor will not be required to pay any compensation for soliciting or accepting orders inside Franchisee's Territory.

5. FEES

5.1 Franchisee may, at the time Franchisee signs this Franchise Agreement, purchase the rights to open either: (1) a single Hounds Town USA Franchise; (2) up to two Franchises (a "Multi-2 Franchise"); or (3) up to three Franchises (a "Multi-3 Franchise"). If you purchase a Multi-2 or Multi-3 Franchise, you will sign the "Multi-Franchise Addendum", the form of which is attached to the Franchise Disclosure Document in Exhibit G. If Franchisee purchases the right to open a single Hounds Town USA



Franchise, Franchisee must pay Franchisor an initial franchise fee in the amount set forth in Attachment A (“Initial Franchise Fee”), and, if due and payable, all federal, state or municipal taxes. Franchisee acknowledges and agrees that if it enters into a Multi-Franchise Addendum it will not receive any territorial rights whatsoever and that Franchisor is free to open or sell franchises to open Hounds Town USA Businesses within the unprotected search area. To open additional Hounds Town USA Businesses under a Multi-2 or Multi-3 Franchise, you will be required to sign our then-current franchise agreement, but you will not be required to pay an Initial Franchise Fee (all other fees will apply). The Initial Franchise Fee is fully earned by us and is non-refundable once this Franchise Agreement has been signed. The Initial Franchise Fee is in consideration of all of our pre-opening assistance that we provide to allow you to open your Hounds Town USA Business and our lost or deferred opportunity to enter into this Franchise Agreement with others, and it offsets some of our expenses for franchisee recruitment. If this Franchise Agreement is being signed under a Multi-Franchise Addendum between you and us or if this Franchise Agreement is the renewal of a prior franchise agreement with us for an existing Hounds Town USA Business, then no Initial Franchise Fee is due.

5.2 Franchisee shall pay to Franchisor a monthly royalty fee (“Royalty Fee”). The Royalty Fee shall be six percent (6%) of Gross Sales for the previous month. The Royalty Fee shall be paid to Franchisor on or before the tenth day of each month for the preceding calendar month and payable throughout the Initial Term, any Successor Term, and Interim Period of this Franchise Agreement.

5.3 Franchisee shall pay to Franchisor a monthly technology fee plus a monthly fee for each user that will access such systems for use of Franchisor’s online systems, email, data sharing and other software and technologies used in the operation of the Hounds Town USA Business (“Technology Fee”). The Technology Fee may vary based on the services and number of users Franchisee has. This fee will begin once Franchisee signs the Franchise Agreement and will increase when franchisee signs the Lease and when the Hounds Town USA Business opens. Franchisor may increase the Technology Fee upon 30 days’ notice, but will not increase it by more than \$150 in a calendar year. The Technology Fee is payable for technology services provided by Franchisor for the operation of the System, for the addition of new software, technologies or upgrades, for the monthly maintenance and support of the proprietary Computer System and software, and for other technologies and technology related services used in the operation of Franchisee’s Hounds Town USA Business that Franchisor may periodically designate. Franchisor may license, sublicense and create software and technology that Hounds Town franchisees may pay for and use. The Technology Fee is due on the date required by Franchisor. Franchisor shall have continuous access to all technologies and software used in the Hounds Town USA Business including access to Gross Sales through the software program for the Facility. If the software is not functioning or this feature is not available, Franchisee shall prepare monthly reports regarding Gross Sales. In Franchisor’s sole discretion it may require that the Technology Fee be paid to Franchisor, to Franchisor’s approved supplier(s) or both in combination.

5.4 Franchisor provides initial training and immersion training at no charge for up to two people (provided both people attend the same training sessions). If Franchisee wishes to have additional people attend the initial training and immersion training, Franchisee will pay Franchisor’s then-current fee per additional person ~~(currently \$1,500 per additional person, per training session)~~ (“Initial Training Fee”). The Initial Training Fee is uniform and must be paid in advance of the initial training or immersion training. Franchisor will also provide grand opening training and phase 2 training after opening at Franchisee’s Hounds Town USA Business, and Franchisee will pay upon receipt of invoice for travel, lodging and meals costs for Franchisor’s trainer(s).

5.5 Franchisee must pay Franchisor a launch fee in the amount set forth in Attachment A (“Launch Fee”) for support related to opening the Hounds Town USA Business and any advertising



initiatives Franchisee provides in Franchisee's market. The Launch Fee is due upon signing the Franchise Agreement and is non-refundable under any circumstances.

5.6 Franchisee must purchase from Franchisor a pre-opening marketing package in the amount of \$15,000 which will include various materials and brand advertising Franchisor will provide to Franchisee for use in advertising, marketing and promoting the Hounds Town USA Business prior to opening. The fee for the pre-opening marketing package is due upon signing the Franchise Agreement and is non-refundable under any circumstances.

5.7 Franchisor has the right to periodically specify (in the Franchise Brand Standards Manual or otherwise in writing) different payees and/or payment methods, such as, but not limited to, weekly/biweekly/monthly payment, payment by auto-draft, credit card and payment by check. If Franchisee makes any payment to Franchisor or its Affiliates by credit card for any payment required, Franchisor may charge a service charge of up to four percent (4%) of the total charge. Franchisee will also be responsible for paying the then-current fees to any designated supplier of credit card processing services.

5.8 Unless specified otherwise in this Franchise Agreement or in the Franchise Brand Standards Manual, all payments to Franchisor required under this Franchise Agreement Franchisee shall be made by electronic funds transfer ("EFT") or other similar means utilizing a Franchisor-approved computer system or otherwise. The EFT Authorization is attached to the Franchise Disclosure Document in Exhibit G. Franchisee agrees to comply with procedures specified by Franchisor and/or perform such acts and deliver and execute such documents, including authorization for direct debits from Franchisee's business bank operating account to assist in or accomplish payment. Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to Franchisor and any interest. Franchisee shall make funds available to Franchisor for withdrawal by electronic transfer no later than the due date for payment. If Franchisee has not timely reported the Gross Sales to Franchisor for any reporting period, Franchisor shall be authorized, at Franchisor's option, to debit Franchisee's account in an amount equal to: (a) the fees transferred from Franchisee's account for the last reporting period for which a report of the Gross Sales was provided to Franchisor as required hereunder; or (b) the amount due based on information retrieved from Franchisor's approved software. Franchisee shall not subordinate to any other obligation its obligation to pay the Royalty Fee or any other fee or charge due to Franchisor or any Affiliate of Franchisor under this Franchise Agreement.

5.9 All fees expressed as a fixed dollar amount in this Franchise Agreement are subject to adjustment based on changes to the Consumer Price Index in the United States. Franchisor may periodically review and increase these fees based on changes to the Consumer Price Index, but only if the increase to the Consumer Price Index is more than 5% higher than the corresponding Consumer Price Index in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustments); or (b) the date Franchisor implemented the last fee adjustment (for subsequent fee adjustments). Franchisor will notify Franchisee of any CPI adjustment at least 60 days before the fee adjustment becomes effective. Franchisor will implement no more than one fee adjustment during any calendar year. Notwithstanding the foregoing, the fee adjustments in this Section shall not impact fees which Franchisor reserves the right to increase in higher amounts or to adjust more frequently, including but not limited to the Technology Fee.

6. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES

6.1 Franchisee shall keep such complete records of its Hounds Town USA Business as a prudent and careful businessperson would normally keep. Franchisee must use Franchisor's designated



supplier for bookkeeping services for the ~~first 90 days of operations of the Hounds Town USA Business~~ duration of this Franchise Agreement. Franchisee must use any required accounting system or pre-formatted templates prescribed by Franchisor. Franchisee shall keep its financial books and records as Franchisor may periodically direct in the Franchise Brand Standards Manual or otherwise, including retention of all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, sales tax records, refunds, cash disbursements, journals and general ledgers. Franchisee shall advise Franchisor of the location of all original documents and shall not destroy any records without the written consent of Franchisor.

6.2 Franchisee shall regularly prepare complete and accurate records concerning all financial, marketing and other operating aspects of the Hounds Town USA Business conducted under this Franchise Agreement. Franchisee shall maintain an accounting system which accurately reflects all operational aspects of the Hounds Town USA Business including any reports required by Franchisor. Franchisee's records shall include tax returns, daily reports, statements of Gross Sales (to be prepared each month for the preceding month), profit and loss statements (to be prepared at least quarterly), and balance sheets (to be prepared at least annually by an independent accountant, unless Franchisor has otherwise approved in writing).

6.3 Franchisee shall also submit to Franchisor current financial statements and any other reports Franchisor may reasonably request to evaluate or compile research and performance data on any operational or other aspect of the Hounds Town USA Business in the form and manner (including electronic communications) and at the time and places reasonably required by Franchisor. Franchisee shall submit Local Advertising Requirement (as defined in Section 11.1(b) below) statements to Franchisor in the frequency designated by Franchisor (currently quarterly). Franchisee shall also submit reports to Franchisor on key performance indicators in the frequency designated by Franchisor (currently monthly). Within 45 days following the end of each calendar year, Franchisee shall submit to Franchisor an unaudited financial statement prepared in accordance with generally accepted accounting principles, and in such form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. By April 15 of each year, Franchisee shall provide Franchisor with a copy of its federal tax return for the Hounds Town USA Business for the previous tax year.

6.4 Franchisee shall keep the books and records of the Hounds Town USA Business separate from the records related to the purchase of the Facility and from any unrelated business activity or personal activity.

6.5 From the date of this Franchise Agreement until five years after the end of the Initial Term of this Franchise Agreement, including the Successor Term, Franchisor or Franchisor's authorized agent shall have the right to request, receive, inspect and audit any of the records referred to above wherever they may be located. Franchisor agrees to do inspections and audits at reasonable times. Franchisee agrees to keep all records and reports for seven years from the date such records are created. Should any inspection or audit disclose a deficiency in the payment of any Royalty Fee, Brand Fund Contribution (as defined in Section 11.2), or other amounts required to be paid under this Franchise Agreement, Franchisee shall immediately pay the deficiency to Franchisor, without prejudice to any other remedy of Franchisor under this Franchise Agreement. If Franchisee fails to submit any records or reports required for the audit, or any audit discloses an understatement in the amount of Gross Sales by more than two percent (2%), Franchisee shall, in addition to paying the deficient amount to Franchisor under the preceding sentence, pay within 15 days to Franchisor the entire cost of the inspection or audit, including travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel, and all legal and accounting fees incurred. For the purposes of this Section 6.5, an audit period shall be each fiscal year. If an audit discloses an overpayment of any Royalty Fees, Brand Fund Contributions, or other



amounts due, Franchisor shall credit the overpayment to Franchisee's payments of future Royalty Fees and Brand Fund Contributions.

6.6 To encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments, Franchisee shall also pay, upon demand, a late fee of \$100 per occurrence, plus the lesser of: (i) the daily equivalent of twelve percent (12%) per year simple interest; or (ii) the highest legal rate permitted by applicable law, on all payments due to Franchisor during the period of time said payments are due and unpaid. Each failure to pay Royalty Fees, Brand Fund Contributions and other amounts payable to Franchisor when due shall constitute a breach of this Franchise Agreement. Franchisee acknowledges this Section shall not constitute Franchisor's agreement to accept such payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Hounds Town USA Business. Franchisee acknowledges that failure to pay all such amounts when due shall, notwithstanding this Section, constitute grounds for termination of this Franchise Agreement, as provided in this Franchise Agreement.

6.7 Any report of the auditor selected by Franchisor under this Section 6 shall be final and binding upon parties to this Franchise Agreement.

6.8 Franchisee authorizes Franchisor to make reasonable inquiries of Franchisee's bank, suppliers and trade creditors concerning the Hounds Town USA Business and directs such persons and companies to provide to Franchisor information and copies of documents pertaining to the Hounds Town USA Business as Franchisor requests under the authority granted by Franchisee in this Section 6.8.

6.9 Franchisee acknowledges and agrees that Franchisor owns all business records ("Business Records") regarding customers and/or related to the Hounds Town USA Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, email addresses, customer purchase records, and all other records contained in such databases, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Franchise Agreement, Franchisor may access the Business Records and may utilize, transfer, or analyze the Business Records as Franchisor determines in its sole discretion to be in the best interest of the System. Franchisor hereby licenses to Franchisee the right to use the Business Records during the term of the Franchise Agreement, solely for purposes of operating the Hounds Town USA Business.

6.10 If any payment by Franchisee to Franchisor or its Affiliates does not successfully convey funds due to insufficient funds, stop payment instructions, or any similar event, Franchisee shall pay, upon demand, a non-sufficient funds fee of \$100 per incident or the highest amount allowed by law. If this occurs more than once in any calendar year, in addition to all other remedies which may be available, Franchisor shall have the right to any payments and any other sums due to Franchisor under this Franchise Agreement be made by certified or cashier's checks.

6.11 If Franchisee fails to input Gross Sales information into the Computer System (as defined in Section 8.3(s) below), or otherwise fails to submit any required report or financial statement when due or within five days of a request by Franchisor, Franchisee shall pay Franchisor, or the Brand Fund (as defined in Section 11.2 below), if established, \$100 per occurrence and \$100 for every week it is past due. Franchisee's bank account will be debited for failure to submit any requested report within five days of request.



~~6.12 If Franchisee's copy of the Franchise Brand Standards Manual is lost, stolen, destroyed or otherwise made unavailable and Franchisor must provide another copy of the Franchise Brand Standards Manual to Franchisee, Franchisee shall pay Franchisor \$500.~~

6.136.12 Franchisee agrees during the Initial Term and for three years after the expiration and termination of this Franchise Agreement, Franchisee shall supply to Franchisor Franchisee's then-current home address and home telephone number for disclosure in the Franchise Disclosure Document as required by law.

7. SERVICES AND ASSISTANCE

7.1 The Initial Franchise Fee and Royalty Fee are paid for the License, which includes the use of the Marks, the System and the use of Franchisor's Trade Secrets and Confidential Information provided under this Franchise Agreement and for certain services rendered by Franchisor.

7.2 During the Initial Term, Franchisor shall offer Franchisee initial and continuing services as Franchisor deems necessary or advisable for Franchisee's Hounds Town USA Business.

7.3 The initial services provided by Franchisor prior to the Opening Date include:

(a) Designating Franchisee's Territory as stipulated in Section 4 and in Attachment A.

(b) Furnishing Franchisee with specifications for all initial and replacement furniture, fixtures, equipment, inventory and supplies required for the operation of Franchisee's Hounds Town USA Business as stipulated in Section 9.

(c) Providing Franchisee with written site selection guidelines and criteria and providing Site Selection Assistance to determine an acceptable location for Franchisee's Facility, as outlined in the Franchise Brand Standards Manual.

(d) Authorizing Franchisee's proposed Facility under Section 7.4 and the Lease.

(e) Providing Franchisee with a copy of Franchisor's basic specifications for the design and layout of Franchisee's Hounds Town USA Business.

(f) Providing an initial training program and immersion training program (together, the "Initial Training Program") for up to two people which must include Franchisee, (if Franchisee is an individual), the Managing Owner (if Franchisee is an Entity), and Franchisee's Designated Manager (if applicable and as defined in Section 8.8), provided that all such persons attend Initial Training Program at the same time, and to be completed at least 30 days before the Opening Date. If any person fails to complete any Initial Training Program and Franchisor extends the length of any portion of the Initial Training Program, then Franchisee must pay Franchisor \$500 for each extension. If Franchisee desires to bring additional attendees to any Initial Training Program, is required to train a new Managing Owner or Designated Manager, or is otherwise required to bring additional persons to the Initial Training Program, Franchisee must pay Franchisor ~~\$1,500~~ its then-current initial training fee per attendee, per trip. Franchisee is responsible for all travel, lodging, meals, and other related expenses associated with the Initial Training Program. Franchisor will send one or more representatives who will attend the grand opening of the Franchisee's Hounds Town USA Business and provide on-site training to Franchisee and Franchisor shall pay for all travel, lodging and meal costs for the representative(s)



sent to Franchisee's Hounds Town USA Business upon invoice. Franchisor reserves the right to vary the length and content of the Initial Training Program as Franchisor deems appropriate in its sole discretion based on the experience of the attendee. Franchisor shall determine the scheduling, exact duration, contents, and manner of the Initial Training Program in its discretion and may delay Franchisee's attendance until a suitable time near the grand opening date for Franchisee's Hounds Town USA Business in Franchisor's discretion.

(g) Loaning, or making available to Franchisee on Franchisor's website, during the Initial Term (including any Successor Terms) one copy the Franchise Brand Standards Manual. Specifications, standards and operating procedures prescribed by Franchisor in the Franchise Brand Standards Manual or otherwise communicated to Franchisee in writing shall constitute provisions of this Franchise Agreement as if fully set forth in this Franchise Agreement herein. Franchisee shall operate the Hounds Town USA Business strictly in compliance with the Franchise Brand Standards Manual. Failure to comply with the standards in the Franchise Brand Standards Manual shall constitute a breach of this Franchise Agreement. Franchisor reserves the right to provide the Franchise Brand Standards Manual and periodic updates, amendments, and supplements to the Franchise Brand Standards Manual in electronic or other form. Franchisor shall have the right to add to, delete, and otherwise modify, the Franchise Brand Standards Manual to reflect changes in authorized Products and Services, business image or the operation of the Hounds Town USA Business; Franchisor will notify Franchisee of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Franchise Brand Standards Manual or through other written communication (including electronic communication such as email or through a system-wide intranet). Some revisions to the Franchise Brand Standards Manual may include changes regarding: (i) sales and marketing strategies; (ii) equipment and supplies; (iii) accounting and reporting systems and forms; (iv) insurance requirements; (v) operating procedures; (vi) Services; (vii) Products; and (viii) Site Selection Assistance.

(i) Franchisee agrees to accept, implement and adopt any modifications at its own cost. Franchisee shall keep its Franchise Brand Standards Manual with replacement pages and insertions as instructed by Franchisor. The form and content of the Franchise Brand Standards Manual maintained by Franchisor will control if any dispute occurs regarding the form or content of the Franchise Brand Standards Manual.

(ii) Franchisee acknowledges the Franchise Brand Standards Manual is proprietary and confidential and protected by copyright and other laws. The Franchise Brand Standards Manual is loaned to Franchisee and shall at all times remain the sole and exclusive property of Franchisor, and upon termination of this Franchise Agreement for any reason whatsoever, Franchisee shall return the Franchise Brand Standards Manual together with all copies of any portion of the Franchise Brand Standards Manual Franchisee made to Franchisor.

(h) Franchisor will provide Franchisee with the pre-opening marketing package outlined in Section 5.6 of this Franchise Agreement.

(i) If Franchisee requires additional opening assistance, Franchisee will pay Franchisor \$500 per day plus any travel and lodging expenses incurred by Franchisor and its representatives.



(j) Franchisor will send one of its representatives to Franchisee's Facility to conduct a pre-opening inspection and on Franchisee's grand opening day to assist Franchisee with Franchisee's grand opening.

7.4 Franchisee is solely responsible for locating a site for the Facility and negotiating a Lease for the property (if required). Franchisee acknowledges that any Lease that is to be signed may require Franchisee, its owners and their respective spouses to sign a personal guaranty. As part of the Site Selection Assistance, Franchisor will provide Franchisee with written site selection guidelines and criteria and may provide other site selection assistance as outlined in the Franchise Brand Standards Manual. Franchisee acknowledges Franchisee is solely responsible for negotiating the legal and business terms of the Lease and for retaining its own legal counsel for this purpose. The Facility site and the Lease are subject to Franchisor's written authorization, which may be granted or denied in Franchisor's sole discretion. Franchisee agrees the location of the Facility is a factor in the potential success of the Hounds Town USA Business and Franchisor may reject any location in its sole discretion. However, Franchisee agrees that Franchisor's assistance does not constitute a representation or warranty regarding the success or viability of the property or the Lease. Franchisee agrees Franchisor's authorization of the Territory and the specific site for the Facility indicates only that Franchisor believes the site falls within acceptable criteria established by Franchisor as of the approval date. Franchisee agrees that Franchisor's review or approval of the Lease is solely an indication by Franchisor that the Lease contains Franchisor's required provisions and otherwise meets Franchisor's minimum standards.

7.5 Franchisee agrees that it is not guaranteed any specific location and it may not be able to obtain its preferred location for the Facility. If the Lease for Franchisee's Facility expires or is terminated without Franchisee's fault or if the site for Franchisee's Facility is destroyed, condemned, or otherwise rendered unusable, Franchisor will allow Franchisee to relocate the Hounds Town USA Business to a new site acceptable to Franchisor, provided Franchisee will be required to reimburse Franchisor for its related expenses. Relocation for any other reason will be subject to Franchisor's approval, which may be withheld in Franchisor's sole discretion, and Franchisee must reimburse Franchisor for its reasonable expenses if Franchisor permits Franchisee to relocate. Any relocation will be subject to the site selection and lease provisions in this Franchise Agreement and will be at Franchisee's sole expense. If purchasing the site for the Facility, Franchisee must enter into a purchase agreement within 360 days after signing the Franchise Agreement. If leasing the site for the Facility, Franchisee must enter into the Lease within 360 days after signing the Franchise Agreement. If Franchisee fails to enter into a purchase agreement or Lease for the Facility within 360 days of signing the Franchise Agreement, Franchisor may terminate this Franchise Agreement in accordance with Section 17. Franchisor agrees to fully de-identify the former location of the Hounds Town USA Business in accordance with Franchisor's requirements at Franchisee's sole cost and expense.

7.6 Currently, the services provided by Franchisor to Franchisee after the Opening Date include:

(a) Informing Franchisee of mandatory specifications, standards and procedures for the operation of the Hounds Town USA Business;

(b) Upon reasonable request, providing advice regarding the operation of the Hounds Town USA Business based on reports or inspections. Advice will be provided during Franchisor's regular business hours and via written materials, electronic media, telephone or other methods in Franchisor's discretion. Franchisor may, but is not obligated to, provide assistance to Franchisee in the development and operation of Franchisee's Hounds Town USA Business through periodic visits by one of Franchisor's field representatives, in Franchisor's sole



discretion. If visits are provided at Franchisee's request, Franchisee must reimburse Franchisor's expenses and pay Franchisor's then-current training charges;

(c) Franchisor will provide Franchisee with advice and guidance on advertising and marketing;

(d) Providing additional assistance, in Franchisor's sole discretion. There may be additional charges for these services. Franchisee will be required to pay the then-current tuition fees for any mandatory or optional additional training. If Franchisor provides additional assistance at Franchisee's request, Franchisor and Franchisee must agree in advance on the charges and the length of the visit;

(e) Providing ongoing training programs to Franchisee, in Franchisor's sole discretion; and

(f) Allowing Franchisee to continue to use the Franchise Brand Standards Manual, the System and Marks.

7.7 If Franchisee believes Franchisor has failed to adequately provide pre-opening services to Franchisee as provided in this Franchise Agreement in Sections 7.3 and 7.4, Franchisee shall notify Franchisor in writing within 30 days of the Opening Date. Absent the timely provision of notice to Franchisor, Franchisee shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee's judgment.

7.8 Franchisor is not obligated to perform services in this Franchise Agreement to Franchisee's level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. Franchisor does not represent or warrant that any other services will be provided to Franchisee, other than those in this Franchise Agreement. To the extent any other services, or any specific level or quality of service is expected, Franchisee must obtain a commitment to provide such service or level of service in writing signed by an authorized officer of Franchisor, otherwise Franchisee acknowledges and agrees that Franchisor shall not be obligated to provide any other services or specific level or quality of services.

8. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS

8.1 Franchisee shall, consistent with this Franchise Agreement, diligently develop the Hounds Town USA Business and use its best efforts to market and promote the required Services and Products.

8.2 Franchisee shall complete construction of Franchisee's Facility and shall maintain the Facility, in accordance with the following requirements:

(a) Franchisee shall, at Franchisee's sole cost and expense, complete the interior build-out and install all equipment, furniture and fixtures as specified by Franchisor in the Franchise Brand Standards Manual, and required by this Franchise Agreement.

(b) Franchisee must purchase or lease, at Franchisee's expense, the site for Hounds Town USA Business within 360 days after signing the Franchise Agreement. The Opening Date must be within 18 months of the Effective Date of this Franchise Agreement. Franchisor may grant Franchisee one extension to the opening deadline in its sole discretion. Franchisee's failure to open the Hounds Town USA Business within the applicable window is a breach of the Franchise Agreement, which provides Franchisor the right to terminate the Franchise Agreement.



(c) Franchisee must deliver a copy of any proposed Lease to Franchisor, in a form acceptable to Franchisor, and such Lease must incorporate the “Lease Addendum” contained in Exhibit G of the Franchise Disclosure Document (including the Collateral Assignment of Lease attached thereto). If Franchisee is unable to incorporate the Lease Addendum, the Lease must contain the following terms (“Required Terms”):

(i) A provision granting Franchisor the right to receive an assignment of the Lease upon termination or expiration of the Franchise, for it, an Affiliate or another Hounds Town USA franchisee;

(ii) A provision requiring the lessor to give Franchisor all sales and other information Franchisor requests relating to the Facility’s operation;

(iii) A provision requiring the lessor to concurrently send Franchisor a copy of any written notice of a Lease default sent to Franchisee and granting Franchisor the right (but no obligation) to cure any Lease default within 10 days after the expiration of Franchisee’s cure period (if Franchisee fails to do so);

(iv) A provision evidencing Franchisee’s right to display the Marks according to the specifications in the Franchise Brand Standards Manual (subject only to applicable any law);

(v) A provision that the Facility may be used only for the operation of a Hounds Town USA Facility; and

(vi) A provision allowing Franchisor to enter the Facility upon termination or expiration of this Franchise Agreement, or any Successor Franchise Agreement, to re-identify the Facility as a Hounds Town USA Business and/or to take possession of the Facility.

(vii) A provision requiring the landlord to subordinate its interests in all equipment, Products, inventory and assets of Franchisee to those of Franchisor.

(d) Franchisee must at all times comply with Franchisor’s standards, specifications, processes, procedures, requirements and instructions regarding the Facility’s physical facilities, including the layout of the equipment, furnishings, and fixtures. Franchisee is responsible for the costs of preparing architectural, engineering, surveys, engineers and construction drawings and site plans, and must submit such plans to Franchisor for review and approval before any construction or remodeling begins on the Hounds Town USA Business. Franchisee agrees to pay and use Franchisor’s approved suppliers for the site survey and for all CAD drawings for the Facility. Franchisee must maintain the Facility and any parking areas in good and safe condition, as specified in the Franchise Brand Standards Manual. Franchisee must remodel or upgrade the Facility at its sole cost and expense according to Franchisor’s standards set forth in the Franchise Brand Standards Manual, which may be modified by Franchisor at any time at Franchisor’s discretion.

8.3 Franchisee shall comply with all present and future standards, specifications, processes, procedures, requirements, and instructions of Franchisor regarding the operation of the Hounds Town USA Business and Franchisee must comply with the following requirements:



(a) Franchisee (if Franchisee is an individual) or Franchisee's Managing Owner (as defined in Section 8.8) (if Franchisee is an Entity), and its Designated Manager (if applicable) must attend and successfully complete the Initial Training Program.

(b) Franchisee (or Franchisee's Managing Owner, if Franchisee is an Entity) or its Designated Manager must attend mandatory annual conferences at locations Franchisor reasonably designates. Upon entering into this Franchise Agreement, Franchisee must pay Franchisor's then-current conference fee (currently \$125 per month per Hounds Town USA Business Franchisee operates) which amount shall be credited towards the total fee that Franchisor charges for its annual conference ("Annual Reunion Fee"). The monthly installments and Annual Reunion Fee are due in full regardless of whether or not Franchisee attends the annual conference. Franchisor shall determine in its sole discretion when the full balance of the Annual Reunion Fee shall be due. If the Annual Reunion Fee has not been paid in full via monthly installments at the time the full balance of the Annual Reunion Fee is due, then Franchisee shall pay the remaining balance to Franchisor on the date specified. The final balance owed depends on the number of monthly deposit payments made and the final cost of the annual reunion. The Annual Reunion Fee will resume the month following the annual reunion. Additional guests may attend the annual reunion at Franchisor's then-current fee. Franchisor may preclude Franchisee from attending an annual conference if Franchisee is in default of this Franchise Agreement at the time of the annual conference, or if Franchisee has had two notices of default within 12 months prior to any annual conference. Franchisor may also preclude Franchisee from participating in System calls, meetings or webinars while Franchisee is in default of this Franchise Agreement. Franchisee shall be responsible for all travel, lodging and related expenses associated with attending any annual conference. The Annual Reunion Fee is not refundable.

(c) Subject to Section 9, any additional required Service or Product introduced into the System by Franchisor must be offered for sale on a continuing basis at the Hounds Town USA Business as required by Franchisor. Franchisor shall provide Franchisee at least 30 days' prior written notice of any new required Service or Product. All equipment, facilities, products, supplies, and other items necessary to add the newly required Services or Products must be acquired, installed, and utilized at the time and in the manner required by Franchisor. The marketing of new Services and Products must begin at the Hounds Town USA Business as reasonably required by Franchisor.

(d) Only approved Services or Products may be offered for sale through the Hounds Town USA Business, unless Franchisee receives Franchisor's prior written consent (which may be granted or denied in Franchisor's sole discretion).

(e) Only advertising and promotional materials, services, equipment, tools, inventory, products, signage, supplies, and uniforms that meet Franchisor's standards and specifications shall be used at the Hounds Town USA Business. Advertising and promotional materials, services, equipment, inventory, products, signage, and supplies produced or approved by Franchisor for use by Franchisee may be used only in the manner and during the period specified by Franchisor.

(f) Services, Products, equipment, inventory, supplies, signage and other items must be added, eliminated, substituted and modified at the Hounds Town USA Business as soon as possible in accordance with Franchisor's specifications and requirements.



(g) The Hounds Town USA Business and everything related to the Hounds Town USA Business (including any parking area) must be maintained in accordance with the System and consistent with the image of a Hounds Town USA Business as an efficiently operated business offering high quality products and services and observing the highest standards of cleanliness and service. The Hounds Town USA Business shall be in good condition and kept clean, neat and sanitary. All maintenance, repairs and replacements reasonably requested by Franchisor or required for the Hounds Town USA Business must be promptly made.

(h) No alterations of the Hounds Town USA Business materially affecting the image of the Hounds Town USA Business may be made except at Franchisor's direction, request or approval, and any alterations must conform to specifications and requirements established or approved by Franchisor.

(i) The Hounds Town USA Business and the Services provided and Products sold by Franchisee must comply with all applicable federal, state, and local laws, ordinances, rules, regulations and other requirements applicable to the Hounds Town USA Business. Franchisee must obtain all business licenses and permits required by federal, state and local laws, ordinances, rules and regulations before operating its Hounds Town USA Business. If Franchisee does not obtain all required permits and licenses and other certifications necessary to operate its Hounds Town USA Business within 15 months after the Effective Date, Franchisor may terminate this Franchise Agreement.

(j) Franchisee shall maintain a competent, conscientious and trained staff and shall take all steps as are necessary to ensure its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as Franchisor may periodically establish in the Franchise Brand Standards Manual or otherwise in writing. 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. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee shall be solely responsible for training its employees and independent contractors, including any training on the day-to-day operations of the Hounds Town USA Business. Franchisee will be solely responsible for all other employment decisions and functions of the Hounds Town USA Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, taxes, work schedules, work conditions, assignments, record keeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on the subject. Franchisee agrees to inform each of its employees, and post a conspicuous back of house notice, that it alone is the employer, and Franchisor is not. Franchisee is responsible for complying with all applicable employment laws. Upon Franchisor's request, Franchisee and each employee must sign an employment relationship acknowledgement form within seven days stating that Franchisee alone is the employer and operates the Hounds Town USA Business. Franchisee will use its legal name on all documents for use with employees and contractors, including but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements and will not use the Marks on these documents. Without limiting the generality of anything contained herein, Franchisee is responsible for complying with all applicable employment laws.

(k) All debts and taxes arising in connection from the Hounds Town USA Business must be paid when due, except those duly contested in a bona fide dispute.



(l) Franchisee will use its best efforts to ensure customer satisfaction; use good faith in all dealings with customers, potential customers, referral sources, suppliers and creditors; respond to customer complaints in a courteous, prompt and professional manner; use its best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take such actions as Franchisor deems necessary or appropriate to resolve customer disputes. If Franchisor, in its discretion, addresses a customer complaint by providing a gift card, refund, or other value to the customer to address the issue, Franchisee must reimburse Franchisor for reasonable costs in responding to the customer complaint.

(m) Franchisee must keep the business hours specified in the Franchise Brand Standards Manual.

(n) Franchisee shall, at Franchisor's request, use any payment vendors and accept all payment methods specified by Franchisor to enable customers to purchase the Products and Services offered by the Hounds Town USA Business. Franchisee shall acquire all necessary hardware and software used in connection with these non-cash systems at its expense Franchisee must, at its sole cost and expense, issue and offer such rebates, coupons, and other promotions in accordance with advertising programs established by Franchisor, and further agree to honor the rebates, coupons, and other promotions so long as such compliance does not contravene any applicable law. Franchisee will not create or issue any gift cards/certificates, and will only sell gift cards/certificates that have been issued or sponsored by Franchisor and which are accepted at all Hounds Town USA Businesses, and Franchisee will not issue coupons or discounts of any type except as approved by Franchisor. Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC, or any successor organization or standards that Franchisor may reasonably specify. Among other things, Franchisee agrees to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

(o) Franchisee shall comply with all terms and pay all fees due under any software license agreement or other agreement for any software that Franchisor requires Franchisee to use in the operation of its Hounds Town USA Business.

(p) Franchisee shall promptly pay Franchisor any amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipts taxes, taxes on Royalty Fees, or any similar taxes or levies imposed upon or required to be collected or paid by Franchisor for reason of the furnishing of products, intangible property (including trademarks or trade names) or services to Franchisee through the sale, license or lease of property or property rights provided by this Franchise Agreement.

(q) If any bona fide dispute occurs as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the taxes or indebtedness under the procedures of the taxing authority or applicable law; however, Franchisee shall not permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Facility, or any improvements.

(r) Franchisee shall comply with the advertising requirements in Section 11.



(s) Franchisee shall, at its expense, purchase or lease and thereafter maintain and use, only the computer(s), hardware (including desktops, laptops, monitors, copy machine, fax machine, telephones), software (including designated point-of-sale software and annual tech support from suppliers), credit card processing hardware and software, firmware, web technologies or applications, required dedicated high speed internet access and power lines, modem(s), printer(s), IP addresses and other related accessories or peripheral equipment, and methods of operation, specified by Franchisor in the Franchise Brand Standards Manual or otherwise in writing (collectively the “Computer System”). The Computer System currently consists of the following hardware and software: (a) Franchisor’s designated point-of-sale system, two computers (minimum one desktop) and an additional monitor, a printer; and (b) QuickBooks accounting software and Franchisor’s point-of-sale software. The Computer System will have the capacity to electronically exchange information, messages, and other data with other computers (including but not limited to, means such as the Internet), using protocols Franchisor may reasonably prescribe in the Franchise Brand Standards Manual or otherwise in writing. Franchisor is not required to provide any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. Franchisee must arrange for installation, maintenance, and support of the Computer System at Franchisee’s cost. Franchisee will keep the Computer System in good maintenance and repair and promptly make any and all additions, changes, modifications, substitutions, and/or replacements at its expense to the Computer System as Franchisor directs. Franchisee will pay any and all software or other fees required by Franchisor to maintain the Computer System. Franchisee acknowledges and agrees that Franchisor’s suppliers have the right to increase or decrease the software fees at any time, in their sole discretion, upon written notice to Franchisee. Franchisee acknowledges and agrees that Franchisor reserves the right to change its approved suppliers, including any software suppliers, at any time in its sole discretion. Franchisee must record all Gross Sales on the Computer System, store all data and information in the Computer System that Franchisor designates, and report data and information in the manner Franchisor specifies. Franchisor or its designees shall have the right to independently access the electronic information and data relating to Franchisee’s Hounds Town USA Business from the Computer System and any point-of-sale systems, and to collect and use Franchisee’s electronic information and data in any manner, including to promote the System and the sale of Hounds Town USA Franchises. Franchisee shall ensure that Franchisor has access to the Computer System and point-of-sale systems at all times, at Franchisee’s cost. Franchisee must provide Franchisor with any and all codes, passwords and information necessary to access Franchisee’s Computer System and point-of-sale systems and must receive Franchisor’s prior written approval before changing such codes, passwords and other necessary information. Franchisee may not alter the Computer System or use alternative software or suppliers of technology without Franchisor’s prior written approval. If Franchisee is in default of any obligations under this Franchise Agreement, Franchisor may, besides any other remedy Franchisor may have under this Franchise Agreement, temporarily inhibit Franchisee’s access to all or part of the Computer System, including point-of-sale software, until Franchisee has cured such default completely. Upon termination or expiration of this Franchise Agreement, all software, hard drives and other storage media provided to Franchisee by Franchisor must be returned to Franchisor in good condition (reasonable wear and tear accepted) and Franchisee must not delete any materials from the hard drives or other storage devices. Franchisee is required to install a closed-circuit camera system in the Facility at Franchisee’s sole cost and maintain and operate the closed-circuit camera system at all times in accordance with Franchisor’s directives and the Franchise Brand Standards Manual. The closed-circuit camera system must be provided by Franchisor’s approved supplier and meet with Franchisor’s System standards. Franchisee shall ensure that Franchisor has access at all times to the closed-circuit camera system. Franchisee expressly acknowledges and agrees that, in order to ensure compliance with the Franchisor’s System, Franchisor may access the closed-circuit camera system and monitor the operations of Franchisee’s Hounds Town USA



Business at any time and without prior notice to Franchisee. Franchisee must upgrade or replace its Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

(t) Franchisee must sell or offer for sale only those Services and Products authorized by Franchisor and which meet Franchisor's standards and specifications. Franchisee must follow Franchisor's policies, procedures, methods, and techniques. Franchisee must sell or offer for sale all Services and Products specified by Franchisor. Franchisor may change or add to its required Services and Products at its discretion with prior notice to Franchisee. Franchisee must discontinue selling and offering for sale any services or products Franchisor in its discretion, disapproves in writing at any time.

(u) Franchisee will abide by Franchisor's requirements for alterations, remodeling, upgrading or any other improvements to the Facility to achieve the strategic marketing goals of the System. Generally, the standards to satisfactorily comply will not exceed those applicable to new Hounds Town USA Businesses. These requirements will not impose an undue economic burden or occur more frequently than every five years. Franchisee will bear all costs of changes or additions, for any changes in, or additions of, equipment, furnishings, fixtures, lighting, carpeting, painting or the taking of other Hounds Town USA Businesses that Franchisor specifies to satisfy its then-current standards for image, positioning, marketing strategy, cleanliness or appearance as Franchisor reasonably requires. Window clings and paint for the Facility must be replaced every two years. The Facility will be required to be updated, repaired and maintained under the specifications in the Franchise Brand Standards Manual.

(v) Franchisee will be required to maintain a membership with any industry associations Franchisor requires. Franchisee will also be required to utilize and pay for any promotional websites provided by these associations and pay any required recurring fees.

(w) Franchisee agrees to comply with all applicable international, federal, state and local laws pertaining to the privacy of customer, employee, and transactional information ("Privacy Laws"). Franchisee agrees to research and proactively ensure that the Hounds Town USA Business is in compliance with Privacy Laws, which may vary by location. Franchisee also agrees to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you will: (i) comply with the requirements of applicable law; (ii) immediately give us written notice of said conflict; and (iii) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.

(x) Franchisee must purchase or lease at least one approved vehicle for the Hounds Town USA Business or obtain prior approval of an alternate vehicle which conforms to our System ("Vehicle") prior to opening the Hounds Town USA Business. The Vehicle must be able to accommodate large breed dogs, be in good working order, and must be approved by Franchisor. Every Vehicle is subject to the terms and conditions of this Franchise Agreement. Franchisee must also comply with Franchisor's policies for the Vehicle set forth in the Franchise Brand Standards Manual. Franchisee must: (i) outfit the Vehicle under the System provided in the Franchise Brand Standards Manual and periodically update or improve the appearance of the Vehicle at Franchisor's request (any such updates or improvements must be made within 30 days of Franchisor's delivery of notice that such updates or improvements must be made); (ii) maintain the condition of the Vehicle consistent with the image of a Hounds Town USA Business; (iii) not



use the Vehicle for any purpose other than the operation of the Hounds Town USA Business as described herein unless Franchisee receives written authorization from Franchisor; (iv) place or display on the Vehicle only the wraps, signs, emblems, lettering and logos Franchisor provides or approves; (v) not sell or otherwise transfer the Vehicle without Franchisor's prior written approval and without first removing all the Marks from the Vehicle; (vi) allow Franchisor to inspect the Vehicle upon Franchisor's request; and (vii) replace the Vehicle at Franchisee's sole cost if it no longer meets Franchisor's minimum standards. The Vehicle must be approved by Franchisor and wrapped prior to the Opening Date.

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 Franchise Brand Standards Manual or other written materials. The Franchise Brand Standards Manual 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.

8.4 In prescribing standards, specifications, processes, procedures, requirements or instructions under Section 8.3 or any other provision of this Franchise Agreement, Franchisor shall provide guidance to Franchisee, as required in Franchisor's sole discretion, in determining the prices to be charged by Franchisee for Services and Products. Franchisor shall not have control over the day-to-day managerial operations of the Hounds Town USA Business and Franchisee shall be free to establish its own prices; however, Franchisor shall have the right to set minimum and maximum resale prices as allowed by law as part of any national or regional promotion or multi-area marketing plan. Franchisee must honor the terms of all promotional or discount programs that Franchisor offers to the public and must also provide those services and other items Franchisor specifies on such terms at such rates, including free of charge, as Franchisor may specify.

8.5 Franchisor and its representatives shall have the right to inspect the Hounds Town USA Business during business hours without prior notice to Franchisee. Franchisor and Franchisor's representatives will have the right to observe the manner in which Franchisee is rendering its Services and conducting its operations of the Hounds Town USA Business. Franchisor and Franchisor's representatives shall have the right to discuss with Franchisee, or other personnel Franchisee may designate, all matters pertaining to compliance with this Franchise Agreement and with Franchisor's standards, specifications, requirements, instructions and procedures. Franchisee shall in all respects cooperate with Franchisor's rights under this Section 8.5; provided that Franchisor's exercise of these rights shall not unreasonably interfere with Franchisee's conduct of the Hounds Town USA Business.

8.6 Franchisee agrees to participate in, and, if required, become a member of any advisory councils or similar organizations Franchisor forms or organizes.

8.7 Franchisor may require Franchisee's compliance with this Section 8 even if it does not require compliance by all franchisees.

8.8 The Hounds Town USA Business will be managed by Franchisee, or if Franchisee is an Entity, by one of Franchisee's owners who is a natural person with at least a twenty-five percent (25%) ownership interest and voting power in the Entity ("Managing Owner"). Subject to Franchisor's



approval, Franchisee may appoint a designated manager (“Designated Manager”) who is not required to have ownership interest in the Entity, to run the day-to-day operations of the Hounds Town USA Business and have direct responsibility for all operations of the Hounds Town USA Business. If Franchisee appoints a Designated Manager, the Managing Owner will still be required to work in and the Hounds Town USA Business at least five (5) days per week for the first 90 days after the Opening Date. Franchisee (or its Managing Owner) may or may not function as the on-site supervisor but will complete the Initial Training Program whether or not he or she functions in that role. The Managing Owner will be principally responsible for communicating with Franchisor regarding the Hounds Town USA Business and will have the authority and responsibility for the day-to-day operations of Franchisee’s Hounds Town USA Business. If Franchisee appoints a Designated Manager, Franchisee will be responsible for ensuring such person has the required experience and has completed the Initial Training Program. Any change in the Designated Manager is subject to Franchisor’s approval, in Franchisor’s sole discretion. If Franchisee must replace the Designated Manager, the newly-hired Designated Manager must complete the Initial Training Program within 60 days following such replacement and prior to assuming duties and responsibilities. Franchisee will be required to pay the then-current training fee for each new Designated Manager plus any travel expenses, salary, and benefits. If Franchisor does not offer an Initial Training Program in the specified time frame, the newly-hired Designated Manager must complete the next available Initial Training Program. Franchisor may require Franchisee (or Managing Owner if Franchisee is an Entity) and its Designated Manager to attend system-wide refresher or additional training courses and remedial training course to correct any operational deficiencies. Franchisee must pay Franchisor’s then-current fees for training newly-hired personnel, refresher training courses, remedial training, advanced training courses, and any additional or special assistance or training Franchisee needs or requests.

8.9 Franchisee or its Designated Manager, if applicable, shall at all times have sufficient computer skills to operate the Computer System, understand how to utilize any software Franchisor requires to be used in the Hounds Town USA Business, and to access email and the Internet.

8.10 Franchisee acknowledges and understands computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, data-related problems and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems and any and all consequences that may arise if Franchisee’s Computer System is not properly operated, maintained, and upgraded. Franchisee must also take reasonable steps to verify that Franchisee’s suppliers, lenders, lessors, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee’s systems, including, but not limited to, using firewalls, access code protection, anti-virus systems, and backup systems.

8.11 Franchisee shall acquire, maintain, and upgrade hardware, software, information processing and communication systems, and Internet and other network access providers, as prescribed in the Franchise Brand Standards Manual and as modified by Franchisor in Franchisor’s sole discretion. Franchisee shall comply with any separate software or other license agreements Franchisor or its designee uses in connection with the System. Franchisee shall utilize Franchisor’s required software, including any proprietary software, and intranet system, when available, as the exclusive means for tracking and maintaining customer, vendor, and related information, and for such other uses as required by Franchisor periodically in the Franchise Brand Standards Manual, in Franchisor’s sole discretion. Sales and other reporting may occur through the designated software. In the event of any software failure, Franchisee will be required to submit such reports to Franchisor through other means designated by Franchisor. Franchisee acknowledges and agrees that Franchisor has the right to independently access any electronic



information and data related to the Hounds Town USA Business through the designated software or Computer System and to collect and use this electronic information and data in any manner, including the promotion and development of the System and the sale of Franchises. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on Franchisor's right to receive or use this information.

8.12 For all communication related to or associated with the operation of the Hounds Town USA Business, Franchisee will only use an email address which is a part of the "houndstownusa.com" Internet domain name or other domain as authorized by the Franchise Brand Standards Manual. All email communication must comply with standards specified in the Franchise Brand Standards Manual or otherwise by Franchisor in writing. Franchisee shall check the email account regularly unless Franchisee notifies Franchisor it cannot do so for a period of time (such as due to sickness or vacation) and Franchisor approves.

8.13 Franchisee may not open its Hounds Town USA Business until: (1) Franchisor notifies Franchisee in writing that all of Franchisee's obligations have been fulfilled; (2) the Initial Training Program has been completed to Franchisor's satisfaction; (3) all amounts due to Franchisor have been paid; (4) Franchisor has been furnished with copies of all insurance policies and certificates required by Section 12, or other documentation of insurance coverage and payment of premiums that Franchisor may request, in Franchisor's discretion; (5) Franchisee notifies Franchisor that all approvals and conditions required by this Franchise Agreement have been met; (6) Franchisee has obtained all necessary permits and licenses; (7) Franchisee's POS system is properly configured and active with Franchisee's up to date pricing and location-specific liability release; (8) Franchisee has provided Franchisor with a fully executed copy of the Lease for Franchisee's Facility negotiated under the terms of Subsection 8.2(c); ~~and~~ (9) Franchisee has ordered, received and installed all equipment, supplies, inventory, tools, products, uniforms and computer hardware and software required by Franchisor; and (10) Franchisee's Vehicle has been purchased or leased, wrapped and approved by us for use. Franchisee shall begin operating the Hounds Town USA Business after Franchisor determines the Hounds Town USA Business is ready for opening.

9. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES

9.1 Except as otherwise provided by Franchisor, Franchisee must purchase all products, services, equipment, inventory, supplies and software from Franchisor's designated or approved suppliers, manufacturers and distributors. The standards and specifications for equipment, computer hardware and software, inventory, signage, supplies, services and products required by Franchisor shall be listed in the Franchise Brand Standards Manual. Franchisor has the right to require Franchisee to discontinue purchasing any products, services, equipment, inventory, supplies, hardware or software from a designated or approved supplier, manufacturer or distributor and may designate or approve new suppliers, manufacturers or distributors at any time in Franchisor's sole discretion. Franchisee agrees to maintain an adequate inventory of all items in accordance with the Franchise Brand Standards Manual.

9.2 Franchisee agrees that Franchisor may receive periodic volume rebates or other revenue or consideration as a result of Franchisee's purchases from designated or approved suppliers of Franchisee's products, services, equipment, inventory, supplies and hardware and software. Franchisee acknowledges and agrees that Franchisor shall be entitled to keep such rebates and revenue for its own use and account.

9.3 The names and addresses of Franchisor's required or approved suppliers, manufacturers and distributors may be included in the Franchise Brand Standards Manual or on an intranet website.



Franchisor reserves the right to approve all of the products, supplies, services, equipment, inventory, hardware and software used in connection with Franchisee's Hounds Town USA Business.

9.4 Franchisee may request that Franchisor approve or designate a new supplier, product or service by following the procedures and paying all required fees and expenses associated with Franchisor's inspection of the proposed supplier, product or service for approval, as set forth in the Franchise Brand Standards Manual and modified periodically by Franchisor in Franchisor's discretion. Franchisor's written approval must be received before Franchisee uses products or services not purchased from an approved supplier. If Franchisor does not provide its written approval within 60 days of the date of Franchisee's request, the supplier, product or service will be deemed disapproved. Franchisor reserves the right to revoke its approval of any supplier, product or service that does not continue to meet its specifications.

10. MARKS, COPYRIGHTED MATERIALS AND OWNERSHIP OF IMPROVEMENTS

10.1 Franchisee acknowledges and agrees that:

(a) Franchisor and Franchisor's Affiliates are the owner or licensee of all right, title and interest, together and all goodwill of the Marks. Franchisee further acknowledges that the Marks designate the origin or sponsorship of the System, the Hounds Town USA Business, and the Products and Services, and that Franchisor desires to protect the goodwill of the Marks and to preserve and enhance the value of the Marks. If Franchisee acquires any rights, title or interest in the Marks, Franchisee agrees to and does assign hereby all rights, title or interest to Franchisor.

(b) All right, title and interest in all materials, including but not limited to, all artwork and designs, created by Franchisor for use in association of the Franchise ("Copyrighted Materials") are the property of Franchisor or Franchisor's Affiliates.

(c) Franchisee shall not dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Marks or Copyrighted Materials or Franchisor's (or Franchisor's Affiliates') ownership of the Marks or Copyrighted Materials, nor counsel, procure, or assist anyone else to do the same, nor will it take any action inconsistent with Franchisor's (or Franchisor's Affiliates') ownership of the Marks or Copyrighted Materials, nor will it represent it has any right, title, or interest in the Marks or Copyrighted Materials other than those expressly granted by this Franchise Agreement.

(d) Franchisor and its Affiliates may, in their sole and absolute discretion, apply to register or register any trademarks or copyrights regarding the Services, Products and any other products and services and the Copyrighted Materials. Failure of Franchisor or its Affiliates to obtain or maintain in effect any such application or registration is not a breach of this Franchise Agreement. Franchisee shall not, before or after termination or expiration of the Franchise Agreement, register or apply to register the Marks or any trademark, service mark or logo confusingly similar thereto or any Copyrighted Materials, anywhere in the world.

(e) Upon Franchisor's request, Franchisee shall cooperate fully, both before and after termination or expiration of this Franchise Agreement and at Franchisor's expense, in confirming, perfecting, preserving, and enforcing Franchisor's and Franchisor's Affiliates' rights in the Marks and Copyrighted Materials, including but not limited to, executing and delivering to Franchisor documents Franchisor reasonably requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and



advertising of the Services and Products and other products and services. Franchisee irrevocably appoints Franchisor as its attorney-in-fact to execute such documents.

(f) All usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor. This Franchise Agreement confers no goodwill or other interests in the Marks to Franchisee upon expiration or termination of the Franchise Agreement.

(g) Franchisor makes no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks or Copyrighted Materials.

10.2 Franchisee acknowledges and agrees that:

(a) Franchisee's right to use the Marks and Copyrighted Materials derive solely from this Franchise Agreement. Franchisee may only use the Marks and Copyrighted Materials in its operation of the Hounds Town USA Business and only in compliance with this Franchise Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor in the Franchise Brand Standards Manual and elsewhere during the Initial Term and any Successor Term. Franchisee shall make every effort for consistency with this Franchise Agreement to protect, maintain, and promote the Marks as identifying the System and only the System.

(b) Any unauthorized use of the Marks or Copyrighted Materials by Franchisee constitutes a breach of this Franchise Agreement and an infringement of the rights of Franchisor in and to the Marks and Copyrighted Materials.

(c) Franchisee shall not use any Marks or portion of any Marks as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

(d) In order to preserve the validity and integrity of the Marks and Copyrighted Materials licensed herein and to assure Franchisee is properly employing the same in the operation of its Hounds Town USA Business, Franchisor shall have the right of entry and inspection of Franchisee's Hounds Town USA Business and operating procedures under Section 8.5 upon reasonable notice to Franchisee or its agents.

(e) Franchisee will safeguard and maintain the reputation and prestige of the Marks and Copyrighted Materials and will do nothing that would tarnish the image of or adversely affect the value, reputation or goodwill associated with the Marks. Franchisee will do nothing that would dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor counsel, procure or assist anyone else to do the same.

(f) Franchisee will use the Marks and Copyrighted Materials only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising and promotional materials, invoices, signage, business checks, business cards, stationery, and promotional items such as clothing, hats, pens, mugs, etc., approved by Franchisor under this Franchise Agreement, and promptly follow instructions regarding the Marks and Copyrighted Materials as provided in the Franchise Brand Standards Manual and otherwise given by Franchisor.



(g) Franchisee will use the following copyright notice at least once on each piece of advertising, promotional, or other material used in connection with the Products and Services:

© (year of first publication). Hounds Town Inc. All Rights Reserved.

(h) Franchisee will use the Marks with a superscript “®” or “™”, as specified by Franchisor, unless and until advised by Franchisor to use a different notice.

10.3 Franchisee acknowledges and agrees that:

(a) If, in Franchisor’s reasonable determination, the use of Marks or Copyrighted Materials in connection with the Services, Products, other products and services or the Hounds Town USA Business will infringe or potentially infringe upon the rights of any third party, weaken or impair Franchisor’s rights in the Marks or Copyrighted Materials, or it otherwise becomes advisable at any time in Franchisor’s sole discretion for Franchisor to modify or discontinue use of the Marks or Copyrighted Materials, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use as required by Franchisor. Franchisor may require Franchisee to use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols or copyrighted materials.

(b) Franchisee shall notify Franchisor within three days after receiving notice of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks, any colorable imitation thereof of the Marks or the Copyrighted Materials, or use of Franchisor’s Confidential Information or Trade Secrets, or if someone challenges Franchisee’s use of Franchisor’s Copyrighted Materials, Confidential Information, or Trade Secrets. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks or Copyrighted Materials, Franchisor shall have the sole right, but not the duty, to defend any such action. Franchisor and its Affiliates shall have the exclusive right to contest or bring action against any third party regarding the third party’s use of any of the Marks or Copyrighted Materials and shall exercise such right in the sole discretion of Franchisor. Franchisor and its Affiliates shall control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Marks, Copyrighted Materials or components of the System undertaken by Franchisor or Franchisor’s Affiliates, Franchisee shall cooperate with Franchisor, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor’s or Franchisor’s Affiliates’ counsel, to carry out such defense or prosecution. At Franchisor’s option, Franchisee will join in any action, in which case Franchisor shall bear all the out-of-pocket costs of Franchisee for such participation. If Franchisee joins in an action, then the recovery, if any, from such legal action shall be first applied to the total expenses associated therewith and then split equally between Franchisor and Franchisee.

(c) Franchisee has the right to use the trade name “HOUNDS TOWN USA” in the operation of its Hounds Town USA Business, but none of the words “HOUNDS TOWN USA” may be used in the legal name of the Entity used to conduct the Hounds Town USA Business. Franchisee may not register or attempt to register in its own name any trade name using the words “HOUNDS TOWN USA.” When this Franchise Agreement expires or is terminated, Franchisee must execute any assignment or other documents Franchisor requires to transfer to Franchisor any rights Franchisee possesses in a trade name utilizing “HOUNDS TOWN USA” or any other Mark.



10.4 All provisions of this Franchise Agreement applicable to the Marks and Copyrighted Materials apply to any and all additional trademarks, service marks, commercial symbols and copyrighted materials authorized for use by and licensed to Franchisee by Franchisor after the Effective Date.

10.5 Any improvements or additions to the System, Copyrighted Materials, website or any other documents or information pertaining to or relating to the System or the Franchise, or any new trade names, trade and service marks, logos, or commercial symbols related to the Hounds Town USA Business or Franchise or any advertising and promotional ideas or inventions related to the Hounds Town USA Business or Franchise (collectively, the “Improvements”) conceived or developed by Franchisee shall become the property of Franchisor or Franchisor’s Affiliates. Franchisee agrees to assign and does hereby assign to Franchisor or Franchisor’s Affiliates, 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 such Improvement may be used by Franchisor, Franchisor’s Affiliates and all other Hounds Town USA franchisees without any obligation to Franchisee for royalties or other fees. Franchisor and its Affiliates may, at its discretion, apply for and own copyrights, patents, trade names, trademarks and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor and Franchisor’s Affiliates in securing such rights. Franchisor may also consider such Improvements as its property and Trade Secrets. 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 the property of Franchisor and Franchisor’s Affiliates, and Franchisor and Franchisor’s Affiliates 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 Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to us, you irrevocably assign and agree to assign to us, our Affiliates, 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 Copyrighted Materials, which Franchisee and the author of such Copyrighted Materials 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 our right in the Improvements as required in this Section.

10.6 Franchisee acknowledges and authorizes Franchisor to use Franchisee’s likeness in a photograph or video in any and all of Franchisor’s publications, including printed and digital publications and on websites. Franchisee agrees and understands that any photograph or video using Franchisee’s likeness will become Franchisor’s property and will not be returned. Franchisee agrees and irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph or video of Franchisee for any lawful purpose. Franchisee agrees and waives any rights to royalties or any other compensation related to Franchisor’s use of any photograph or video 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. For purposes of this Section, Franchisee shall also include Franchisee’s owners if Franchisee is an Entity.

11. ADVERTISING AND PROMOTION

11.1 Post-Opening Marketing and Local Advertising.

(a) Franchisee must spend ~~a minimum of between \$15,000 and \$25,000~~ on post-grand opening marketing and advertising, which advertising shall begin on within the Opening



~~Date and must be fully spent approximately 90 days after the Opening Date~~ first three months Franchisee's Hounds Town USA Business is open. The post-opening advertising is in addition to the pre-opening marketing package set forth in Section 5.6 above.

(b) In addition, Franchisee must spend certain amounts on local advertising and promotions within the Territory ("Local Advertisement Requirement") according to the following table:

Months in Operation	Monthly Amount
4-12	\$5,000
13-36	\$4,000
37+	2% of monthly Gross Sales

Franchisor will measure Franchisee's compliance with the Local Advertising Requirement on a rolling three-month basis, meaning that as long as Franchisee's average monthly expenditure on local advertising over any three-month period equals or exceeds the applicable monthly amount in the table above, Franchisee will be deemed in compliance, even if Franchisee's expenditure in any given month is less than the amount set forth in the table above. Franchisee must submit monthly local advertising reports to Franchisor upon request. If Franchisee fails to spend the Local Advertising Requirement in any month, Franchisor reserves the right to require Franchisee to pay the difference to Franchisor. After 37 months of operations, Franchisor reserves the right to require Franchisee to spend either 2% of Gross Sales or \$3,500, whichever is greater, if the Hounds Town USA Business has six or more months of negative year-over-year sales in a rolling 12-month period.

(c) Franchisee shall pay Franchisor a monthly fee for local advertising and management to cover various marketing-related management fees for social and digital media marketing and advertising. Franchisor reserves the right to modify and add new vendors and services and Franchisee will be responsible for any increase in fees that result from any modifications or additions, but Franchisor will not increase this fee by more than \$150 in a calendar year.

(d) All advertising conducted for the Local Advertising Requirement must comply with the Franchise Brand Standards Manual. Franchisee will receive dollar-for-dollar credit against the Local Advertising Requirement for any advertising done through a Cooperative (defined in Section 11.8 below). In the event Hounds Town USA Businesses Franchisor owns outnumber franchisee-owned Hounds Town USA Businesses, the minimum contribution will be 0.5% of Franchisee's Local Advertising Requirement and the maximum contribution will be 100% of Franchisee's Local Advertising Requirement.

(e) Franchisee is encouraged to list information in a printed and online classified directory listing and/or Yellow Pages ad.

(f) Franchisee agrees to participate in all system-wide promotions and advertising campaigns that Franchisor creates. Franchisee must, unless prohibited by applicable law, offer new customers a free day of daycare or boarding services, which shall not count towards the Local Advertising Requirement. Except for Franchisee's commitments to participate in system-wide promotions and advertising campaigns, Franchisee will have discretion, subject to this



Section 11.1(f) and Franchisor's approval, over the approach Franchisee takes to local advertising and promotions.

(g) Franchisee will use Franchisor's designated supplier for social and digital advertising. All advertising and promotion by Franchisee shall be made within the Territory unless Franchisor authorizes Franchisee to advertise or run promotions outside of the Territory in writing in its sole discretion, which Franchisor may revoke at any time. All advertising and promotion by Franchisee shall be conducted in a dignified manner and conform to the standards and requirements in the Franchise Brand Standards Manual or otherwise. Franchisee shall obtain Franchisor's prior approval of all advertising and promotional plans and materials prior to use if such plans and materials were not prepared by Franchisor or previously approved by it. Franchisee must order sales and marketing material from Franchisor or its designated suppliers. It is a breach of this Franchise Agreement to use other marketing material without obtaining Franchisor's prior written approval. If Franchisee desires to use its own advertising materials, including its own website, Franchisee must obtain Franchisor's prior approval, which may be granted or denied in Franchisor's sole discretion. Franchisor will review Franchisee's request and respond in writing within 30 days from the date it receives all requested information. Franchisor's failure to notify Franchisee in the specified time frame will be deemed a disapproval. Use of logos, Marks and other name identification materials must follow Franchisor's approved standards. If Franchisor approves of promotional items or services that will be sold at Franchisee's Facility, those items or services must be included in Gross Sales and will be subject to Royalty Fees and the Brand Fund Contributions (as defined in Section 11.2 below). If Franchisee uses unauthorized advertising materials, it must pay \$500 per occurrence to Franchisor.

(h) Franchisor shall make available to Franchisee all advertising and promotion materials for the Hounds Town USA Business used by Franchisor and other Hounds Town USA franchisees. Franchisee may not develop advertising materials for use in the Hounds Town USA Business without Franchisor's approval. If Franchisor approves the advertising materials prepared by Franchisee in writing, Franchisor may make available the advertising and promotion materials to other franchisees. Franchisee must pay duplication costs of any advertising or promotion material provided by Franchisor.

11.2 Franchisor has established a system-wide brand fund for use in promoting and building the Hounds Town USA brand ("Brand Fund"). Franchisee shall remit two percent (2%) of the Gross Sales for the preceding month to Franchisor ("Brand Fund Contribution") at the same time and in the same manner as the Royalty Fee. Franchisor reserves the right to increase the Brand Fund Contribution to up to three percent (3%) of Gross Sales upon 30 days' written notice to Franchisee. Franchisor will provide Franchisee with 30 days' prior notice before increasing the Brand Fund Contribution. No action taken by Franchisee shall diminish Franchisee's obligations to pay the Brand Fund Contribution to the Brand Fund. The Brand Fund Contribution is in addition to Franchisee's obligations in Section 11.1 and Sections 11.3 through 11.7 will apply to the Brand Fund.

11.3 Advertising materials and services will be provided to Franchisee through the Brand Fund. Franchisor may occasionally provide for placement of advertising, development of promotional materials, and undertaking public relations activities for the entire System, including franchisees, or for a particular region, that may not include Franchisee, through the Brand Fund. Franchisor reserves the right to use the Brand Fund Contribution from the Brand Fund to place advertising in national or regional media (including broadcast, print, electronic or other media). Franchisee acknowledges the Brand Fund is intended to maximize general brand recognition of the System. Franchisor is not obligated to expend



Brand Funds on Franchisee's behalf or for its benefit or expend Brand Funds equivalent or proportionate to Franchisee's contribution of Brand Fund Contributions on Franchisee's behalf or for its benefit.

11.4 Franchisor has complete discretion in how the Brand Fund is used. National advertising, public relations, and promotions will be started and continued by Franchisor, when, in Franchisor's sole discretion, Franchisor deems it has accumulated sufficient monies for that purpose. The Brand Fund will be administered by Franchisor, or its Affiliates or designees, in Franchisor's discretion, and Franchisor may use a professional advertising agency or media buyer to assist. The Brand Fund will be used to promote the System, Services and Products sold by Franchisees and will not be used to sell additional franchises; provided, however, Franchisee acknowledges and agrees Franchisor may undertake activities using funds from the Brand Fund that have the effect of increasing the visibility of, and interest in, the System by prospective franchisees. The Brand Fund will collect Brand Fund Contributions from all franchisees and may also (but is not required to) collect from Franchisor or Affiliate-owned stores. Brand Fund Contributions may be used for the administration of the Brand Fund, and Franchisor may reimburse itself, its authorized representatives, and its Affiliates from the Brand Fund for administrative costs and expenses, including but not limited to, salaries, overhead, administrative, accounting, collection and legal costs and expenses and all other direct or indirect expenses associated with the programs funded by the Brand Fund. The Brand Fund will be ~~maintained by Franchisor in a separate account~~ accounted for separately. Franchisor will provide an annual unaudited accounting for the Brand Fund showing how the Brand Fund proceeds were spent for the previous year, upon written request. Franchisor assumes no fiduciary duty to Franchisee or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct, or administer the Brand Fund.

11.5 The Brand Fund may be terminated at any time by Franchisor, in its sole discretion. Brand Fund Contributions are non-refundable except, if the Brand Fund is terminated, any remaining balance in the Brand Fund will be expended or returned to each franchisee on a pro-rata basis, in Franchisor's sole discretion.

11.6 Subject to applicable law, Franchisee shall fully participate in all such promotional or discount campaigns, prize contests, special offers, rebates, giveaways, and other programs, national, regional, or local in nature (including the introduction of new Services, Products, new franchises or other marketing programs directed or approved by Franchisor), prescribed by Franchisor. These programs may include minimum and maximum price policies, minimum advertised price policies and unilateral price policies. Franchisee shall be responsible for all costs of participation. Franchisor will EFT debit Franchisee for any costs associated with such promotional programs. In addition, Franchisee shall honor any coupons, gift certificates or other authorized promotional offers of Franchisor at Franchisee's sole cost unless otherwise specified in writing by Franchisor. Franchisee will maintain an adequate supply of marketing brochures, pamphlets and promotional materials as may be required by Franchisor at any time. The cost for such participation will be applied to Franchisee's Local Advertising Requirement (except for the free day of daycare or boarding under Section 11.1(f)).

11.7 Franchisor (and any designee of Franchisor) will have no direct or indirect liability or obligation to Franchisee or the Brand Fund or otherwise regarding the management, maintenance, direction, administration or otherwise of the Brand Fund. Franchisee and Franchisor agree their rights and obligations regarding the Brand Fund and all related matters are governed solely by this Franchise Agreement and neither this Franchise Agreement nor the Brand Fund creates a trust, fiduciary relationship, or similar arrangement between Franchisor and Franchisee.



11.8 Local Advertising Cooperatives.

(a) Franchisor reserves the right to form a local or regional advertising cooperative (“Cooperative”) among franchisees located in a designated marketing area (“DMA”) for the purpose of jointly advertising and promoting their Hounds Town USA Businesses. Franchisor may require the members of the Cooperative to prepare governing documents for the Cooperative that must be approved by Franchisor. Each Cooperative must prepare annual unaudited financial statements and such statements will be made available to each member of such Cooperative.

(b) Members of the Cooperative will administer the Cooperative. Advertising cooperative fees and expenditures will be established by members of the Cooperative, subject to Franchisor’s approval. If Franchisor elects to form the Cooperative, or if such Cooperative already exists in the DMA, Franchisee must participate in compliance with the Franchise Brand Standards Manual, which Franchisor may periodically modify in its discretion. If, in connection with a Cooperative’s formation, its members are unable to reach agreement with respect to any disagreement over organization, administration, “spill” policy, contribution waivers or exceptions, budget or other matters that the Cooperative members cannot resolve within 45 days, the issue will be referred to Franchisor for resolution. Franchisor’s decision regarding the issue’s resolution will be binding.

(c) Each franchisee in the Cooperative will contribute an amount to the Cooperative for each Hounds Town USA Franchise that the franchisee owns that exists within the DMA. Each Hounds Town USA Franchise owned by Franchisor that exists within the Cooperative’s DMA will contribute to the Cooperative on the same basis as franchisees. Franchisee agrees: (i) to join, participate in, and actively support any Cooperative established in the Hounds Town USA Business’ DMA; and (ii) to make contributions to each Cooperative on the payment schedule adopted by the Cooperative’s members and at the contribution rate Franchisor approves.

(d) Franchisor shall have the right to form, change, dissolve, or modify the DMA at any time in its sole discretion.

(e) Franchisor shall have the right to form, change, dissolve or merge any Cooperative in its sole discretion.

11.9 System Website.

(a) Franchisor has established and maintains an system website that provides information about the System and the Services and Products that Hounds Town USA Businesses offer. Franchisor has sole discretion and control over the website’s design and contents. Franchisor may use part of the Brand Fund Contributions it collects under Section 11.2 to pay or reimburse itself for the costs of maintaining and updating the website, except that Franchisor will not use such contributions to pay for those components of the website devoted to the sale of franchises.

(b) The website may include a section that provides the address, telephone number and email address of each Hounds Town USA Business. Franchisee must promptly notify Franchisor whenever any information in Franchisee’s listing changes or is not accurate. Franchisor may remove the reference to Franchisee’s Hounds Town USA Business on the system website if Franchisee is in default under the Franchise Agreement.



(c) Franchisee may not establish or maintain any other website or engage in any other electronic marketing of products or services without Franchisor's prior written approval. Franchisor may allow Franchisee to market the Hounds Town USA Business online or through social media sites (such as Facebook, Google+, Twitter and Instagram) so long as permitted by the Franchise Brand Standards Manual and Franchisee follows Franchisor's online policies and procedures contained therein. Franchisor's online policies and procedures may change as technology and the Internet changes. Franchisee will have no independent right to advertise its Hounds Town USA Business on the Internet or establish any website utilizing the Marks without the prior written consent of Franchisor, which may be withheld in Franchisor's sole discretion. Franchisor may require Franchisee to allow Franchisor administrative access to any social media page to manage content. Franchisee may not develop or authorize any crowdfunding campaign or blogs that mentions or describes Franchisor, the Hounds Town USA Business, or displays any of the Marks without Franchisor's written authorization. Franchisor will have the right to review and remove all online content on social media sites, blogs, in electronic communications and on other online sites on which the Marks are used to protect the reputation of the Marks and maintain consistency within the System.

11.10 Advisory Council. Franchisor reserves the right to form an advisory council, consisting of franchisees and corporate members, to advise it and provide input on Brand Fund, advertising policies, and to promote communications between Franchisor and all franchisees ("Council"). If any advisory council is formed, it would be governed by bylaws. The Council would serve in an advisory capacity only. Franchisor has the right to form, change or dissolve the Council, in its sole discretion.

12. INSURANCE AND INDEMNITY

12.1 Franchisee shall purchase and at all times maintain in full force and effect insurance policies protecting Franchisee, Franchisor and Affiliates, and Franchisor's respective members, managers, employees, and agents ("Additional Insureds") against any demand or claim regarding personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring at or in connection with the construction and/or operation of Franchisee's Hounds Town USA Business, including without limitation, the minimum insurance amounts and types and shall comply with all requirements for such insurance as described in Attachment D hereto, which may be modified by Franchisor under the Franchise Brand Standards Manual in which case Franchisee agrees to obtain such new, modified or different insurance. In addition, Franchisee shall purchase and maintain any other insurance that Franchisor may require in the future or may be required according to the terms of the Lease for the Hounds Town USA Business.

If Franchisee fails to obtain or maintain the insurance Franchisor specifies, Franchisor may (but need not) obtain such insurance on Franchisee's behalf and, in such event, Franchisee will reimburse Franchisor for the cost of the insurance plus an administrative fee equal to \$2,500. Franchisee must carry the higher of the insurance coverage Franchisor requires or the minimum insurance coverage as required by statute or rule of the state in which Facility is located. Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time, at Franchisor's discretion.

12.2 Franchisee shall, during the Initial Term and any Successor Terms, and after the termination or expiration of this Franchise Agreement, indemnify and defend Franchisor, its Affiliates and their respective officers, owners, directors, managers, partners, shareholders, members, employees, agents and contractors and the successors, assigns, personal representatives, heirs and legatees of all these persons or entities (collectively, the "Indemnified Parties") and hold them harmless to the fullest extent permitted by law, from and against all claims, demands, losses, damages (including punitive damages),



costs, suits, judgments, penalties, expenses (including travel, investigation and living expenses of employees, witness fees, expert witness fees and expenses, reasonable attorney fees, and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious (and including damages suffered by Franchisee or any of its property) (collectively, “Damages”), including Franchisor’s sole negligence but not for Franchisor’s willful or intentional conduct, in any litigation or proceeding commenced or threatened to be commenced as a result of or arising out of:

- (a) a breach of this Franchise Agreement, or any other agreement between the parties, or any breach of a Lease or other instrument granting the right to Franchisee to occupy any Facility or any other premises used by Franchisee to operate the Hounds Town USA Business;
- (b) any injury to, or loss of property of, any person in, or on, the Facility or any other premises used by Franchisee to operate the Hounds Town USA Business;
- (c) Franchisee’s taxes, liabilities, costs or expenses of its Hounds Town USA Business;
- (d) any negligent or willful act or omission of Franchisee, its officers, owners, directors, managers, members, partners, employees, agents, servants, contractors or others for whom it is, in law, responsible;
- (e) any violation of any federal, state or local law, ordinance or regulation imposing requirements or prohibitions on Franchisee in the operation of the Hounds Town USA Business;
- (f) any advertising or promotional material distributed, broadcasted or in any way disseminated by Franchisee, or on its behalf unless such material has been produced, or approved in writing, by Franchisor;
- (g) any loss of data, including but not limited to customer information, resulting from a breach of such data caused, in whole or in part, by Franchisee or Franchisee’s negligence;
- (h) Franchisee’s employment or other contractual relationship with its employees, workers, managers, or independent contractors, including but limited to any allegation, claim, finding, or ruling that Franchisor is an employer or joint employer of Franchisee’s employees; and



(i) Any loss of data including, but not limited to customer information, resulting from a breach of such data caused, in whole or in part, by Franchisee.

Franchisee agrees to give Franchisor notice of any action, suit, proceeding, claim, demand, inquiry, or investigation described above. The Indemnified Parties shall have the right, in their sole discretion, to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such claim. Franchisee may participate in such defense at its own expense. Franchisee agrees to give its full cooperation to the Indemnified Parties in assisting them with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and reasonable attorney fees, within ten days of the date of each invoice delivered by such Indemnified Party to franchisee enumerating such costs, expenses, and attorney fees.

12.3 Franchisor will indemnify Franchisee against, and reimburse Franchisee for: (1) all damages for which Franchisee is held liable in any judicial or administrative proceeding arising out of Franchisee's use of any Mark or Copyrighted Material in compliance with this Franchise Agreement; and (2) the costs incurred in defending any claim brought against Franchisee or in any proceeding in which Franchisee is named as a party arising out of Franchisee's use of any Mark or Copyrighted Material in compliance with this Franchise Agreement, provided that Franchisee has timely notified Franchisor of the claim or proceeding, and has fully complied with this Franchise Agreement and any other agreement with Franchisor.

13. RELATIONSHIP

13.1 Franchisee acknowledges it is an independent contractor and is not an agent, partner, joint venturer or employee of Franchisor and no training or supervision given by, or assistance from, Franchisor shall be deemed to negate such independence. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted under this Franchise Agreement. Franchisor and Franchisee agree that no partnership, fiduciary relationship, joint venture or employment relationship exists between them. Franchisee shall conspicuously identify itself in all dealings with the public as an independently owned and operated Hounds Town USA franchisee. The parties intend that this Franchise Agreement establish the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Franchisee agrees it will not hold itself out as the agent, employee, partner or co-venturer of Franchisor. Franchisee alone will exercise day-to-day control over all operations, activities, and elements of the Hounds Town USA Business and under no circumstances shall Franchisor be deemed to do so. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. The parties agree to file their own taxes, regulatory and payroll reports regarding their respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever thereof.

13.2 Neither party shall make any agreements, representations or warranties (except by Franchisor in advertising as provided herein) in the name of, or on behalf of, the other party; neither party hereto shall be obligated by, nor have any liability for, any agreements, representations or warranties made by the other (except by Franchisor in advertising as provided herein) nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's Hounds Town USA Business, whether caused by Franchisee's negligent or willful action or failure to act.



13.3 Franchisor shall not have any liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, Gross Sales, income, property or other tax levied upon Franchisee, Franchisee's property, the Hounds Town USA Business or upon Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee regarding purchases from Franchisor).

13.4 Franchisee further agrees that fulfillment of any and all of Franchisor's obligations written in the Franchise Agreement shall be Franchisor's sole responsibility and none of Franchisor's owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to Franchisee for any reason.

13.5 Nothing in this Franchise Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Franchise Agreement; provided, however, that the Additional Insureds and the Indemnified Parties are intended third party beneficiaries under this Franchise Agreement with respect to indemnification obligations of Franchisee.

14. RESTRICTIVE COVENANTS

14.1 Franchisee acknowledges and agrees that:

(a) Franchisee's entire knowledge of the operation of the Hounds Town USA Business, the System, and the concepts and methods of promoting the Hounds Town USA Business that it has now or obtains in the future, is derived from Franchisor's Confidential Information and Trade Secrets. Franchisee further acknowledges and agrees that all of the Confidential Information and Trade Secrets are the sole property of Franchisor and Franchisor's Affiliates, represent valuable assets of Franchisor and Franchisor's Affiliates, and that Franchisor and Franchisor's Affiliates have the right to use the Confidential Information and Trade Secrets in any manner at any time.

(b) Any Designated Manager, and, if Franchisee is an Entity, any officer that does not own equity in the Franchisee Entity, must sign Franchisor's System Protection Agreement, the current form of which is attached within Exhibit G to the Franchise Disclosure Document. All of Franchisee's employees, independent contractors, agent or representatives who have access to the Confidential Information and Trade Secrets and have not signed a System Protection Agreement, must sign a confidentiality agreement, the current form of which is attached within Exhibit G to the Franchise Disclosure Document, and agree that they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information and Trade Secrets; and (4) will adopt and implement all reasonable procedures Franchisor requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets. Franchisee shall provide Franchisor with signed copies of each of the confidentiality agreements at Franchisor's request. Franchisor will be named as a third-party beneficiary on such nondisclosure agreements.

(c) Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to: (a) Confidential Information in the public domain after it was communicated to Franchisee through no fault of Franchisee, its owners, Designated Managers or employees; (b) Confidential Information in Franchisee's possession free of any obligation of confidence when it was communicated to Franchisee; (c) disclosing the Confidential



Information in judicial or administrative proceedings if Franchisee is legally compelled to disclose the information, if Franchisee has notified Franchisor before disclosure and used Franchisee's best efforts, and afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be disclosed; (d) pursuant to 18 USC § 1833(b), disclosure of Confidential Information: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; and/or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; (iii) in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney and for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and Confidential Information is not otherwise disclosed except pursuant to court order.

14.2 Franchisee covenants and agrees that:

(a) During the Initial Term of this Franchise Agreement and any Successor Terms, if any, Franchisee, its owners and immediate family members of owners, Designated Managers, officers, directors, managers, members, and partners shall not, without the prior written consent of Franchisor, either individually or in an Entity or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder, member, partner or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by Franchisee in and/or from the Territory (including, but not limited to, the products Franchisor authorizes); or (ii) provides or offers to provide services the same as or similar to the type of services sold by Franchisee in and/or from the Territory (including, but not limited to, the services Franchisor authorizes), but excludes a Hounds Town USA Business operating pursuant to a franchise agreement with Franchisor ("Competitive Business"), as carried on during the Initial Term or any Successor Term of this Franchise Agreement.

(b) Upon termination or expiration of the Initial Term or any Successor Term, or the transfer, sale or assignment of this Franchise Agreement by Franchisee, neither Franchisee, the Designated Manager nor Franchisee's owners (or any immediate family members of owners), officers, directors, managers, members, or partners will for a period of two years, without the prior written consent of Franchisor, either individually or in an Entity or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder, member, partner or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any Competitive Business within a 25-mile radius of the Hounds Town USA Business, or within a 25-mile radius of any Franchisor or Affiliate-owned or any franchisee's Hounds Town USA Business that is operating or under construction.

14.3 If any person restricted by this Section 14 refuses to voluntarily comply with the foregoing obligations, the restricted period will commence with the entry of any order of a court or arbitrator enforcing this Section 14.

15. ASSIGNMENT

15.1 Franchisee acknowledges that Franchisor's obligations under this Franchise Agreement are not personal. Franchisor shall have the absolute right, in its sole discretion at any time, to



unconditionally transfer or assign this Franchise Agreement or any of its rights or obligations under this Franchise Agreement to any person, corporation or other party.

15.2 Franchisor reserves the right to assign the Hounds Town USA franchise system to anyone, including the operator of a competing national or regional chain or franchise system. Franchisee acknowledges and agrees that Franchisor may sell its assets, the Marks or the System to any third party; may offer its securities privately or publicly; may merge with or acquire other business entities or be acquired by another Entity; may permit and participate in any transfer or distribution of its securities in connection with a spin-off; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any such case without Franchisee's consent and, provided the transferee expressly assumes and materially performs Franchisor's obligations, do so free of any responsibility or liability whatsoever to Franchisee after the transaction occurs.

15.3 Franchisee expressly waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks, assets or the System from Franchisor to any other party.

15.4 Franchisee understands and acknowledges the rights and duties in this Franchise Agreement are personal to Franchisee. Accordingly, this Franchise Agreement, Franchisee's rights and interests under this Franchise Agreement, the property and assets owned and used by Franchisee for the Hounds Town USA Business, and any shares, stock, membership or interest in any Entity having an interest in the Hounds Town USA Business, shall not be voluntarily or involuntarily, directly or indirectly sold, pledged, assigned, transferred, shared, subdivided, sub-franchised, encumbered or transferred in any way (including, without limitation, in the event of the death of Franchisee if Franchisee is an individual), in whole or in part, in any manner whatsoever without the prior written approval of Franchisor and compliance with all terms of this Section 15. Any unauthorized sale, assignment, transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void and grounds for termination of this Franchise Agreement by Franchisor.

15.5 With and after each valid assignment of this Franchise Agreement under this Section 15, the assignee(s) of Franchisee shall be deemed to be Franchisee under this Franchise Agreement and will be bound by and liable for all of Franchisee's existing and future obligations. No stockholder, member or partner of any Entity which becomes the Franchisee shall have any rights under this Franchise Agreement because of reason of his, her or its stock ownership, membership interest or partnership interest.

15.6 If Franchisee wishes at any time to sell, in whole or in part, the Hounds Town USA Business, Franchisee shall obtain a bona fide, executed, written offer ("Purchase Offer") for the Hounds Town USA Business together and all real or personal property, leasehold improvements and other assets used by Franchisee in its Hounds Town USA Business from a responsible, arms' length, and fully disclosed purchaser and shall submit an exact copy of such Purchase Offer to Franchisor. Franchisor will have a right of first refusal to purchase the Hounds Town USA Business as provided in Section 16 below.

15.7 No transfer or assignment of this Franchise Agreement will be approved by Franchisor or be effective unless all the following conditions are satisfied:

- (a) Franchisee is in full compliance with this Franchise Agreement, including payment of all amounts due, and Franchisor has not exercised its right of first refusal;
- (b) the transferee executes Franchisor's then-current form of franchise agreement and related documents, including but not limited to Franchisor's then-current form of Owners Agreement or other guaranty, any and all of the provisions of which may differ materially from



any and all of those contained in this Franchise Agreement, but which shall not require the payment of another Initial Franchise Fee, and executes all other documents as may be reasonably requested by Franchisor;

(c) Franchisee pays to Franchisor a transfer fee (“Transfer Fee”) equal to fifty percent (50%) of the then-current Initial Franchise Fee (or, if Franchisor is not offering franchises at the time of the transfer, fifty (50%) of the initial franchise fee listed in Franchisor’s most recent franchise disclosure document), plus the Initial Training Fee. Franchisee will pay to Franchisor a non-refundable deposit of \$1,000 when Franchisee requests approval of a transfer. Upon approval, Franchisee will pay the remaining amount of the Transfer Fee plus the Initial Training Fee in certified funds when Franchisee executes the transfer documents. If the transfer is for a minority interest and/or if a proposed transfer is not completed, Franchisee must instead pay any legal costs related to the transfer that Franchisor incurs, which will be due upon demand and are non-refundable;

(d) Franchisee, or the proposed transferee, reimburses us upon receipt of our invoice for any broker or other placement fees Franchisor incurs as a result of the transfer;

(e) Franchisee and each of its owners execute a general release of all claims known and unknown Franchisee may have against Franchisor its Affiliates, and their officers, directors, members, shareholders, agents, Affiliates, and employees, whether in their corporate and/or individual capacities. This release shall include all claims arising out of or concerning under the Franchise Agreement (to the fullest extent permitted by law) and shall be in a form satisfactory to Franchisor;

(f) the transferee is an individual or an Entity having sufficient business experience and financial resources to operate the Hounds Town USA Business, and meets all criteria established by Franchisor for franchisees. The transferee shall also complete Franchisor’s then-current training program established by Franchisor for Hounds Town USA franchisees unless: (i) the transferee is a current Hounds Town USA franchisee in good standing in the System; or (ii) the transferee is or has been a Designated Manager for a period of one year or more of a Hounds Town USA Business in good standing;

(g) at Franchisor’s request, Franchisee prepares and furnishes to the transferee and/or Franchisor such financial reports and other data relating to the Hounds Town USA Business and its operations as Franchisor deems reasonably necessary or appropriate for the transferee and/or Franchisor to evaluate the Hounds Town USA Business and the proposed transfer. Franchisee authorizes Franchisor to confer with a proposed transferee and furnish it with information concerning the Hounds Town USA Business and the terms and conditions of the proposed transfer, and Franchisor may do so with no liability, except for intentional misstatements made to a transferee;

(h) the parties to the proposed transaction will have entered into a binding agreement subject only to the rights of Franchisor set out in Section 16. Franchisor shall be furnished a copy of this binding agreement, and such agreement is subject to Franchisor’s approval in writing. Franchisee must advise each prospective transferee of this provision and other terms of this Franchise Agreement;

(i) the proposed transferee or the stockholders, partners, members or owners of a beneficial interest in a proposed Entity transferee, provide jointly and severally personal guarantees required by Franchisor, guaranteeing the proposed transferee’s performance of its



obligations under the agreements to be entered into in the form of any Owners Agreement or other form specified by Franchisor;

(j) the proposed transferee demonstrates to Franchisor's satisfaction it, he or she meets in all respects Franchisor's standards applicable to new Hounds Town USA franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote its, his or her full time and best efforts to the operation of the Hounds Town USA Business, and any other conditions as Franchisor may reasonably apply in evaluating new Hounds Town USA franchisees. Franchisor must be provided with all information about the proposed transferee as Franchisor may reasonably require. Because of the Confidential Information and Trade Secrets available to a Hounds Town USA franchisee, no assignment will be permitted to a transferee that owns a Competitive Business;

(k) the transferee agrees to bring the Facility up to current standards for Hounds Town USA Businesses; and

(l) the landlord consents to assignment of the Lease to the transferee, if applicable.

15.8 Notwithstanding anything to the contrary in this Franchise Agreement, Franchisor shall, upon Franchisee's compliance with Franchisor's requirements (including obtaining all necessary approvals to the assignment of the Lease, if any, of the Facility), consent to an assignment of Franchisee's right, title and interest in this Franchise Agreement and the property and assets owned and used by Franchisee and any other agreement then in effect between Franchisee and Franchisor to an Entity wholly owned and controlled by Franchisee, except such assignment shall not release Franchisee from any liability under this Franchise Agreement:

(a) Contemporaneously with such assignment and thereafter upon the appointment or election of any person as director, officer, partner or manager of an Entity, such Entity shall cause each shareholder, partner, member, manager, director(s) and officer(s) of the Entity to execute a written agreement with Franchisor, personally guaranteeing full payment and performance of Franchisee's obligations to Franchisor and individually being bound, jointly and severally, by this Franchise Agreement or any new current form of Franchise Agreement;

(b) No shares or membership interests in the capital of an Entity shall be issued nor shall Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any such shares or membership interests or offer or attempt to do so or permit the same to be done without Franchisor's prior written consent;

(c) The Entity shall maintain stop transfer instructions against transferring shares or membership interests on its records subject to the restrictions of this Section;

(d) The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by-laws of the Entity shall provide that its objectives or business is confined exclusively to the operation of the Hounds Town USA Business as provided for in this Franchise Agreement, and copies thereof shall be furnished to Franchisor upon request;

(e) Franchisor's consent to transferring any interest subject to the restrictions of this Section shall not constitute a waiver of any claim it may have against the assignor, nor shall it be



deemed a waiver of Franchisor's right to demand exact compliance with any of this Franchise Agreement by the assignee;

(f) The Entity shall advise Franchisor and keep Franchisor current as to the names and addresses of the directors, officers, members, partners and shareholder of and persons financially involved in the Entity

(g) Franchisee agrees to devote its full time and best efforts to manage the day-to-day operations of the Hounds Town USA Business unless it has an operational partner or Designated Manager approved by Franchisor; and

(h) Franchisee shall reimburse Franchisor for any costs it incurred in relation to the transfer, including any legal or broker fees.

15.9 Upon the death or permanent disability of an individual Franchisee (or the controlling shareholder, member or partner if Franchisee is an Entity), the personal representative of such person shall transfer all right, title and interest in this Franchise Agreement or such interest in Franchisee to any approved third party, which may include an heir or legatee that otherwise satisfies Franchisor's then-current standards and qualifications for new franchisees. Such disposition of this Franchise Agreement or such interest (including, without limitation, transfer by bequest or inheritance, provided such transfer meets the requirements of this Section 15.9) shall be completed within a reasonable time, not to exceed 180 days from the date of death or permanent disability (unless extended by probate proceedings), and shall be subject to all the terms and conditions applicable to transfers contained in this Section. Franchisee's estate or legal representative must apply to Franchisor for the right to transfer within 120 days of Franchisee's death or disability. Franchisor shall have the right, in Franchisor's sole discretion, to exercise the Step-in Rights and appoint an Interim Manager to operate the Hounds Town USA Business in accordance with Section 21.1 of this Franchise Agreement, for a period of up to 180 days, or until Franchisee's interest shall have been transferred to an approved third party, whichever occurs first. Franchisee's estate or personal representative shall be required to comply with the Step-in Rights set forth in Section 21.1 of the Franchise Agreement. Failure to transfer the interest in this Franchise Agreement or interest in Franchisee within said period of time shall constitute a breach of this Franchise Agreement and Franchisor may terminate this Franchise Agreement without further notice or the opportunity to cure. The term "Permanent Disability" shall mean a mental or physical disability, impairment or condition that prevents Franchisee or Franchisee's controlling shareholder, member or partner from performing the essential functions of Franchisee.

15.10 Franchisee shall not grant any security interest in the assets of the Hounds Town USA Business unless the secured party agrees in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and the option to be substituted as obligor to the secured party and to cure any default of Franchisee, except that any acceleration of indebtedness due to Franchisee's default shall be void.

15.11 Franchisee shall not have the right to grant a subfranchise.

16. OPTION TO PURCHASE - RIGHT OF FIRST REFUSAL

16.1 Unless otherwise explicitly provided by this Franchise Agreement, Franchisor shall be entitled to exercise the rights provided in this Section immediately upon:

(a) The expiration without extension of Franchisee's rights to operate the Hounds Town USA Business or the termination for any reason of this Franchise Agreement;



(b) Any breach, default or other event that gives Franchisor the right to terminate this Franchise Agreement, after expiration of any applicable notice and cure period; or

(c) The receipt by Franchisor of a copy of a Purchase Offer.

16.2 Upon any event described in Subsection 16.1, Franchisor shall have the option (but not the obligation) to purchase any or all of Franchisee's rights, title and interest in the Hounds Town USA Business, and all its improvements, furniture, fixtures, equipment and products, contract rights and other business assets. Without limiting the generality of anything contained in this Franchise Agreement, Franchisee understands that the Business Records, the accounts, customer and vendor lists, work in progress, the System and all other related intellectual property is owned by Franchisor, and shall not be transferred in any assignment nor purchased under this right of first refusal.

16.3 The purchase price for assets itemized in Subsection 16.1 will be, subject to Section 16.4: (i) the current fair market value if Subsection 16.1(a) or 16.1(b) applies; or (ii) the price specified in the Purchase Offer received by Franchisee if Subsection 16.1(c) applies. 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.

16.4 If Franchisor elects to exercise any option to purchase in this Section 16, Franchisor will have the right to set off all amounts due from Franchisee under the Franchise Agreement or any other agreements between the parties, any commissions or fees payable to any broker, agent or other intermediary and the cost of the appraisal, if any, against any payment. Franchisee shall also have the right to substitute cash for any other form of consideration specified in the Purchase Offer and pay in full the entire purchase price at closing.

16.5 Franchisor will notify Franchisee whether or not it intends to exercise its right to purchase ("Notice of Intent") within 30 days following an event described in Subsection 16.1. The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by Franchisor if Subsection 16.1(a) or 16.1(b) applies. If Franchisor is purchasing the assets under Subsections 16.1(a) or (b), Franchisee will have 14 days following receipt of Franchisor's Notice of Intent to object to any of the prices specified, and any disputes over pricing shall be resolved through appraisal as specified by Subsection 16.3. If Franchisor declines to exercise its rights in connection with Subsection 16.1(c) within the 30-day period described above, Franchisee may thereafter sell or dispose of the Hounds Town USA Business to the third party identified in the Purchase Offer in the event of a sale under Subsection 16.1(c), but not at a lower price nor on more favorable terms than set forth in the Purchase Offer and subject to the prior written permission of Franchisor and satisfaction of the other assignment conditions in Section 15. If the sale to such third-party purchaser is not completed within 90 days after Franchisor delivers the Notice of Intent to Franchisee, Franchisor shall again have its right of first refusal provided.

16.6 If Franchisor provides Franchisee with its Notice of Intent to exercise its rights under this Section 16, the purchase and sale contemplated in this Section shall be consummated as soon as possible. If Franchisor is purchasing the assets under Subsections 16.1(a) or (b), following the delivery of a Notice of Intent as specified in Subsection 16.5, Franchisor or Franchisor's designee shall have the immediate right to take possession of the Hounds Town USA Business and to carry on and develop the Hounds Town USA Business for the exclusive benefit of Franchisor or its designee exclusively. If Franchisor declines to exercise its rights under this Section 16, this shall not constitute consent to the transfer or



waiver of any other provision of the Franchise Agreement, including any of the requirements with respect to the proposed transfer.

17. DEFAULT AND TERMINATION

17.1 Franchisor shall have the right, at its option, to: (i) suspend performance of certain or all of its services to Franchisee while Franchisee is in default of this Franchise Agreement; or (ii) terminate this Franchise Agreement and all rights granted Franchisee hereunder (subject to applicable state law governing franchise termination and renewal), effective upon receipt of notice by Franchisee, addressed as provided in Section 19, upon the occurrence of any of the following events, each of which shall constitute an event of default under this Franchise Agreement:

(a) Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of Franchisor's Franchise Brand Standards Manual, Confidential Information or Trade Secrets of Franchisor;

(b) Franchisee voluntarily abandons the Hounds Town USA Business for a period of five consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Hounds Town USA Business, unless abandonment is due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee;

(c) Franchisee becomes insolvent or is adjudicated bankrupt; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee;

(d) Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's Hounds Town USA Business or any of the property used for the operation of the Hounds Town USA Business and is not discharged within five days; or if the real or personal property of Franchisee's Hounds Town USA Business is sold after levy by any sheriff, marshal or constable;

(e) Franchisee, the Designated Manager, or any owner of greater than ten percent (10%) of the Franchisee's Entity is charged or convicted of any felony charge, or a crime involving moral turpitude, or any crime or offense reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof;

(f) Franchisee fails to pay any amounts due Franchisor or its Affiliates or approved suppliers within ten days after receiving notice that such fees or amounts are overdue;

(g) Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within five days after notification from Franchisor;

(h) Franchisee has received two notices of default regarding Franchisee's obligations hereunder from Franchisor within a 12-month period, regardless of whether the defaults were cured by Franchisee;



(i) Franchisee sells, transfers or otherwise assigns the Hounds Town USA Business, an interest in the Hounds Town USA Business or Franchisee's Entity, this Franchise Agreement, or a substantial portion of the assets of the Hounds Town USA Business owned by Franchisee without complying with Section 15;

(j) Franchisee submits on two or more occasions during the Initial Term and any Successor Term a report, financial statement, tax return, schedule or other information or supporting record which understates its Gross Sales by more than two percent (2%), unless Franchisee demonstrates that such understatement resulted from inadvertent error;

(k) Franchisee fails, or refuses, to submit any required report, financial statement, tax return, schedule or other information or supporting records, or submits such reports over five days late on two or more occasions during the Initial Term or any Successor Term unless due to circumstances beyond the control of Franchisee;

(l) Franchisee sells or offers for sale any unauthorized merchandise, product or service or engages in any unauthorized business or under the Marks or under a name or mark confusingly similar to the Marks;

(m) Franchisee contests in any court or proceeding the validity of or Franchisor's ownership of the Marks or Copyrighted Materials;

(n) Franchisee is an Entity and any action is taken which purports to merge, consolidate, dissolve or liquidate such Entity without Franchisor's prior written consent;

(o) Franchisee, its Managing Owner or its Designated Manager fails to successfully complete Franchisor's Initial Training Program or any continuing training programs;

(p) Franchisee receives from Franchisor during the Initial Term and any Successor Term, three or more notices of default regardless whether such notices of default relate to the same or different defaults, or whether such defaults have been remedied by Franchisee;

(q) Franchisee made misrepresentations under Section 1.11 or any violation of Anti-Terrorism Laws by Franchisee, its Designated Manager, its owners, officers, directors, managers, members, partners, agents or employees; or

(r) Franchisee, including its Designated Manager, its owners, officers, directors, managers, members, partners, agents or employees, intentionally or negligently mistreats any animal in its care, or violates Franchisor's standards, requirements, or instructions concerning the safety, well-being, and proper treatment of animals, as set forth in Franchisor's Franchise Brand Standards Manual and other policies, or covered in Franchisor's Initial Training Program and any continuing training programs and materials.

17.2 Franchisor shall have the right, at its option, to: (i) suspend performance of certain or all of its services to Franchisee while Franchisee is in default of this Franchise Agreement; or (ii) terminate this Franchise Agreement (subject to any state laws to the contrary, where state law shall prevail), effective: (A) upon three days' written notice to Franchisee if Franchisee fails to cure health, safety, or sanitation law violations or fails to operate safely; (B) upon ten days' written notice to Franchisee if Franchisee fails to cure monetary defaults; or (C) upon 30 days written notice to Franchisee, if Franchisee breaches any other provision of this Franchise Agreement, each of which shall constitute an event of default under this Franchise Agreement, (except as set forth above) and fails to cure the default within 30



days. In any such event, this Franchise Agreement will terminate without further notice to Franchisee, effective upon expiration of the period described above. Defaults under Section 17.2(ii)(C) include, but are not limited to:

(a) Franchisee fails to maintain the then-current operating procedures and standards established by Franchisor in this Franchise Agreement or the Franchise Brand Standards Manual or otherwise communicated to Franchisee (whether discovered during an inspection or otherwise);

(b) Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent required by this Franchise Agreement;

(c) Franchisee fails or refuses to comply with the then-current requirements of the Franchise Brand Standards Manual;

(d) Franchisee, or any Entity in which Franchisee has a controlling equity interest or which has a controlling equity interest in Franchisee, defaults under any term of the Lease of the Facility or any other premises used by Franchisee to operate the Hounds Town USA Business, any other franchise agreement with Franchisor or any other agreement material to the Hounds Town USA Business and such default is not cured within the time specified in such Lease, other franchise agreement or other agreement;

(e) Franchisee fails, refuses or neglects to submit any required report under this Franchise Agreement;

(f) Franchisee fails, refuses or neglects to accurately report Gross Sales, sales information or other information required by Franchisor; or

(g) Franchisee fails to comply with any other provision of this Franchise Agreement or any specification, standard or operating procedure prescribed by Franchisor and does not correct such failure within 30 days after written notice from Franchisor (which shall describe the action that Franchisee must take) is delivered to Franchisee.

17.3 Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within the cure period described above and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such cure period, Franchisee shall be given an additional reasonable period of time to cure the same, not to exceed 30 additional days.

17.4 Franchisee shall have the right to terminate this Franchise Agreement solely upon a material breach by Franchisor which is not cured within 30 days after Franchisor receives written notice of breach; provided that neither Franchisee nor its owners is in default of this Franchise Agreement. If Franchisor cannot correct the default within 30 days, Franchisor shall have reasonable additional time to cure the default. Any other termination of this Franchise Agreement by Franchisee shall be a termination without cause, and a breach by Franchisee. Franchisee agrees it shall not, on grounds of an alleged nonperformance by Franchisor of any of its obligations or any other reason, withhold payment of any amount due to Franchisor whatsoever or set off amounts owed to Franchisor under this Franchise Agreement, against any monies owed to Franchisee, which right of set off is expressly waived by Franchisee.

17.5 No endorsement or statement on any check or payment of any sum less than the full sum due Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction,



and Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments by Franchisee against any past due indebtedness of Franchisee as Franchisor sees fit. Franchisor may set off against any payment due Franchisee hereunder any outstanding debts of Franchisee to Franchisor, and may, at Franchisor's option, pay Franchisee's trade creditors out of any sum otherwise due to Franchisee.

17.6 Franchisee agrees to pay within five days of the effective date of termination or expiration of the Franchise Agreement, all amounts owed Franchisor, the lessor of the Facility and Franchisee's trade and other creditors which are then unpaid.

17.7 All Royalty Fees and Brand Fund Contributions, all amounts due for goods purchased by Franchisee from Franchisor or its Affiliates, and any other amounts owed Franchisor or its Affiliates by Franchisee under this Franchise Agreement or any other agreement shall bear interest after the due date at the rate described in Section 6.6 above. The acceptance of any interest payment shall not be construed as a waiver by Franchisor of its rights regarding the default causing such payment and shall be without prejudice to Franchisor's right to terminate this Franchise Agreement regarding such default.

17.8 A default under any other franchise agreement or other agreement between Franchisee or its Affiliates and Franchisor or its Affiliates shall constitute a default under this Franchise Agreement and vice versa, with like remedies available to Franchisor. No provision herein expressly identifying any termination or breach of this Franchise Agreement as material shall be construed to imply that any other term or breach which is not so identified is not material.

17.9 Franchisee agrees to take the following action upon termination or expiration of this Franchise Agreement:

(a) Immediately discontinue using all Marks, signs, structures, forms of advertising, telephone listings, websites, facsimile numbers, email addresses, the Franchise Brand Standards Manual, all materials, Products and Services of any kind identified or associated with the System and return all these materials and Products to Franchisor;

(b) Immediately provide to Franchisor all materials, including the Franchise Brand Standards Manual, customer lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information, Trade Secrets and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Hounds Town USA Business (all of which are acknowledged to be Franchisor's property). Under no circumstances shall Franchisee retain any printed or electronic copies of the Franchise Brand Standards Manual, customer lists, Confidential Information or Trade Secrets or portions thereof upon expiration or termination of this Franchise Agreement;

(c) Franchisee acknowledges that all telephone numbers, facsimile numbers, social media websites, Internet addresses and email addresses (collectively "Identifiers") used in the operation of Franchisee's Facility constitute Franchisor's assets, and upon termination or expiration of this Franchise Agreement, Franchisee will take such action within five 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 interests in, all Identifiers used by Franchisee to promote Franchisee's Facility 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;

(d) Make no representation nor state Franchisee is in any way approved, endorsed or licensed by Franchisor or associated or identified with Franchisor or the System in any manner;

(e) Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or business name or fictitious name or any other registration or filing containing the Marks, and to delete the Marks and all references to anything associated with the System;

(f) Franchisee shall, at Franchisor's option, immediately assign to Franchisor any interest Franchisee has in any Lease for the Facility, and shall permit Franchisor the immediate right to enter and take possession of the Facility in order to maintain continuous operation of the Facility, to provide for the orderly change of management and disposition of personal property and to otherwise protect Franchisor's interest. If Franchisor does not elect to exercise its option to acquire the Lease for the Facility, then to the extent, if any, Franchisee is permitted to conduct any business at the Facility under this Franchise Agreement or a separate written agreement with Franchisor, and acknowledging the distinctiveness of Franchisor's interior design and décor, Franchisee shall make such modifications or alterations to the premises immediately upon termination or expiration of this Franchise Agreement as may be necessary to distinguish the appearance of such premises from that of other Hounds Town USA Businesses operating under the System and Marks, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor shall have the right to enter the Facility without being guilty of trespass or any other tort, for the purposes of making or causing to be made such changes as may be required, at the expense of Franchisee, which Franchisee agrees to pay upon demand;

(g) Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Marks, either in connection with such other business or its promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's or Franchisor's Affiliates rights in and to the Marks, and agrees not to use any designation of origin, description, representation, trademark, or trade name which suggests or represents a past or present association or connection with Franchisor, the System or the Marks;

(h) Provide Franchisor the option to purchase set forth in Section 16; and

(i) Comply with Subsections 10.1(c), (d) and (e) and Section 14.



17.10 If, within 30 days after termination or expiration of this Franchise Agreement, Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Marks, Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, enabling Franchisor to protect the System. If, within 30 days after termination or expiration of this Franchise Agreement, Franchisee has not taken all steps necessary as described above in Section 17.9 to de-identify its Hounds Town USA Business, then Franchisor may, but is not obligated to do so, and in such event Franchisee shall pay for all of Franchisor's expense.

17.11 Termination or expiration of this Franchise Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies Franchisor may have against Franchisee, whether such claims or rights arise before or after termination or expiration.

17.12 All obligations of the parties which expressly or by their nature survive the expiration or termination of this Franchise Agreement shall continue in full force and effect notwithstanding such expiration or termination. Without limiting the generality of the foregoing, Section 5.2 which requires Franchisee to pay a Royalty Fee and Sections 10, 12, 14 and 16, shall survive termination or expiration of this Franchise Agreement.

17.13 If this Franchise Agreement expires or is terminated for any reason whatsoever and Franchisor is the lender under any loan agreement ("Loan") or the holder of any promissory note ("Note") or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever ("Security Interest") from Franchisee concerning assets used at any time by Franchisee in the Hounds Town USA Business or which are on the Hounds Town USA Business premises, such Loan, Note or Security Interest shall, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

17.14 If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Franchise Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof. Such modifications to this Franchise Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions.

17.15 If termination of this Franchise Agreement occurs for any reason whatsoever the parties shall accept its default remedies herein as full and final satisfaction of all claims. The parties waive, to the extent permitted by law, any claim against the other for punitive or exemplary damages; except for such punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, unauthorized dissemination of the Confidential Information or Trade Secrets or arising under the indemnification set out in Section 12.

17.16 The rights of the parties hereto are cumulative and no exercise or enforcement by a party of any right or remedy under this Franchise Agreement shall preclude the exercise or enforcement by that party of any other right or remedy in this Franchise Agreement, or to which it is entitled by law.

17.17 Nothing herein shall prevent Franchisor or Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for Franchisor to seek preliminary or permanent injunctive relief, Franchisor may do so without a bond.



17.18 The parties agree in the event the terms of this Franchise Agreement regarding termination or expiration are inconsistent with applicable state or federal law, such law shall govern franchisee's rights regarding termination or expiration of this Franchise Agreement.

17.19 To secure Franchisee's performance under this Franchise Agreement and indebtedness for all obligations owed and sums due Franchisor or its Affiliates, Franchisor shall have a lien upon, and Franchisee hereby grants to Franchisor a security interest in, the following collateral and any and all attachments, accessories, additions, accessions, and substitutions to or for it and the cash and non-cash proceeds derived from insurance or the disposition of such collateral: (a) all inventory, equipment, furniture, furnishings, fixtures, and supplies now leased, owned or after-acquired by Franchisee and the Hounds Town USA Business, including but not limited to all Vehicles, inventory, equipment, furniture, furnishings, fixtures, and supplies transferred to or acquired by Franchisee in connection with this Franchise Agreement; (b) all accounts of Franchisee and/or the Hounds Town USA Business now existing or subsequently arising, together with all interest in Franchisee and/or the Hounds Town USA Business, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; (c) all contract rights of Franchisee and/or the Hounds Town USA Business, now existing or subsequently arising; (d) all general intangibles of Franchisee and/or the Hounds Town USA Business, now owned or existing, or after-acquired or subsequently arising; (e) all of Franchisee's and/or the Hounds Town USA Business interests in the real estate where the Hounds Town USA Business is located; and (f) all improvements to any real estate associated with the Hounds Town USA Business. Franchisee hereby authorizes Franchisor to file and record financing statements, financing statement amendments, continuation financing statements, fixture filings and other documents Franchisor deems necessary to evidence, perfect and continue the priority of security interests in and to these assets. Franchisee also agrees to execute and deliver any documents to Franchisor upon its request. Franchisee shall also reimburse Franchisor for all expenses, including reasonable attorneys' fees, which Franchisor incurs in connection with enforcing the terms of this Franchise Agreement, or collecting amounts due Franchisor or its Affiliates hereunder.

17.20 Upon termination of this Franchise Agreement by Franchisor under Section 17, or by Franchisee without legal cause, Franchisee agrees to pay to Franchisor within 15 days after the effective date of this Franchise Agreement's termination, in addition to the amounts owed hereunder, liquidated damages calculated by multiplying the combined average monthly Royalty Fees and Brand Fund Contributions (without regard to any fee waivers or other reductions) owed by Franchisee to Franchisor, beginning with date Franchisee opens its Hounds Town USA Business through the date of early termination, multiplied by the lesser of: (i) 36; or (ii) the number of full months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30100,000.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Franchise Agreement's termination and the loss of cash flow from Royalty Fees and Brand Fund Contributions due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees and Brand Fund Contributions would have grown over what would have been this Franchise Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fees and Brand Fund Contributions. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Franchise Agreement other than the Royalty Fee and Brand Fund sections. Franchisee and each of Franchisee's owners agree that the liquidated damages provision does not give



Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Franchise Agreement other than the Royalty Fee and Brand Fund section.

17.21 During the term of this Franchise Agreement, Franchisor (or its designee) has the right to make unannounced visits to Franchisee's Hounds Town USA Business at any time to confirm compliance with this Franchise Agreement and the System.

18. CONDEMNATION AND CASUALTY

18.1 Franchisee shall promptly advise Franchisor upon Franchisee's receipt of a notice of default or termination under Franchisee's Lease or mortgage, and shall promptly provide Franchisor a copy of the notice. Franchisee shall also immediately give Franchisor notice of any proposed taking of the Facility or any portion through eminent domain. If the Facility or a substantial part thereof is to be taken, the Hounds Town USA Business may be relocated within the Territory specified in Attachment A, or elsewhere with Franchisor's written approval under Franchisor's relocation procedures in the Franchise Brand Standards Manual. If Franchisee opens a new business as provided above at another location under Franchisor's standards and general specifications within one year of closing the old Facility, the new Hounds Town USA Business shall be deemed to be the Hounds Town USA Business licensed under this Franchise Agreement. If a condemnation, Lease termination or mortgage default takes place and a new Hounds Town USA Business does not, for any reason, become the Hounds Town USA Business as provided in this Section 18.1, then the License shall terminate upon notice by Franchisor.

18.2 Franchisee shall expeditiously repair the Facility if it is damaged. If the damage or repair requires closing the Hounds Town USA Business, Franchisee shall immediately notify Franchisor in writing, and shall:

(a) Relocate the Hounds Town USA Business as provided in Section 18.1; or

(b) Repair or rebuild the Hounds Town USA Business at the Facility under Franchisor's then existing standards and general specifications, and reopen the Hounds Town USA Business for continuous business operations as soon as practical (but within 12 months after closing the Hounds Town USA Business at the Facility), giving Franchisor 30 days advance notice of the date of reopening;

(c) If the Hounds Town USA Business is not (or, in the opinion of Franchisor cannot be) reopened under this Section 18.2, or relocated under Section 18.1, the License shall terminate upon notice to Franchisee.

18.3 The Initial Term will not be extended by any interruption in the Hounds Town USA Business's operations, except for an act of God that results in the Hounds Town USA Business being closed not less than 60 days nor more than 180 days. Franchisee must apply for any extension within thirty 30 days following the reopening of the Hounds Town USA Business. No event during the Initial Term or any Successor Term will excuse Franchisee from paying Royalty Fees or Brand Fund Contributions as provided in this Franchise Agreement.

19. NOTICES

Any notice, request, demand, approval, consent or other communication which the parties may be required to give or are permitted to be given hereunder shall be in writing and given to the party for whom it is intended by personal delivery, electronic mail or comparable electronic system provided that the recipient expressly acknowledges receipt of such electronic mail, or delivering it to such party by mailing



it by prepaid registered mail, or by recognized overnight delivery or courier services to the address listed for Franchisor in the opening paragraph of this Franchise Agreement and the address listed in Attachment A for Franchisee.

Any notice or other document delivered personally shall be deemed to have been received by and given to the addressee on the day of delivery and any such other notice or other document mailed shall be deemed to have been received by and given to the addressee at the earlier of the date of actual receipt of such notice or the next (3rd) business day following the date of mailing, and any delivery made by recognized overnight delivery or courier services shall be deemed delivered the next business day. Any party may at any time give notice in writing to any other party of any change of address.

20. DISPUTE RESOLUTION

20.1 Informal Dispute Resolution. Prior to mediating or arbitrating any claims or disputes as set forth in this Section 20, Franchisee will follow Franchisor's informal dispute resolution procedures and attend an in-person meeting with one of Franchisor's representatives in Denver, Colorado, or another location of Franchisor's choosing. In the event Franchisee attends and participates in Franchisor's informal dispute resolution process, Franchisor will compensate one attendee for their airfare, lodging and food costs while attending the informal dispute resolution meeting, up to a maximum of \$750 per day for up to two days.

~~20.1~~20.2 Mediation. Except as otherwise provided in this Franchise Agreement, all claims or disputes between Franchisee and Franchisor or its Affiliates arising out of, or in any way relating to, this Franchise Agreement, or any of their respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to non-binding mediation prior to a hearing in binding arbitration. Such mediation shall take place in Denver, Colorado (or if Franchisor chooses, the city in which Franchisor's principal place of business is located (currently Orlando, Florida)) under the auspices of the American Arbitration Association ("AAA") or other mediation service acceptable to Franchisor, in its sole discretion, under AAA's Commercial Mediation Procedures then in effect. Franchisee may not commence any action against Franchisor or Affiliates regarding any such claim 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) because 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 the mediator and the mediator's fees. Franchisor reserves the right to specifically enforce its right to mediation in a court of law. Prior to mediation, and before commencing any legal action against Franchisor or Affiliates regarding any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies the precise nature and grounds of such claim or dispute. The parties will first attempt to resolve any dispute relating to or arising out of this Franchise Agreement by mediation as described above in this Section 20. Franchisor will provide a procedure for internal dispute resolution in the Franchise Brand Standards Manual, and the parties agree this procedure may be revised in Franchisor's discretion. Non-binding mediation hereunder will be concluded within 60 days of the issuance of the request for mediation, or such longer period as may be agreed upon by the parties in writing ("Mediation Termination Date"). All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever.

~~20.2~~20.3 Binding Arbitration. Without limiting Franchisor's rights and remedies under Section 17 of this Franchise Agreement, if a dispute is not resolved through mediation as described above, then following the Mediation Termination Date, such dispute shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. Without limiting the generality of anything contained herein, the following shall be subject to mediation and then binding



arbitration: any controversy or dispute arising out of, or relating to the Franchise or this Franchise Agreement including, but not limited to, any claim by Franchisee or any Persons in Privity with or claiming through, for or in the right of Franchisee, concerning the entry into, performance under, or termination of, this Franchise Agreement or any other agreement entered into by Franchisor, or its subsidiaries or Affiliates, and Franchisee; any claim against a past or present employee, officer, director, member, shareholder or agent of Franchisor; any claim of breach of this Franchise Agreement; and any claims arising under state or federal laws. “Persons in Privity” are defined as any person(s) or entities with or claiming through, on behalf of or in the right of Franchisee include but are not limited to, spouses and other family members, domestic partners, heirs, executors, representatives, successors and assigns. The right and duty of the parties to this Franchise Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the commercial arbitration rules (in effect as of the date the demand for arbitration is filed) of, and under the auspices of, AAA or such other arbitrator as Franchisor deems acceptable in its sole discretion. The arbitration, which shall be held before a single arbitrator, shall be held in the AAA office in Denver, Colorado (or if Franchisor chooses, in or nearest to Franchisor’s principal place of business (currently Orlando, Florida), or at such other location as shall be mutually agreed upon by the parties in writing.

A single arbitrator shall be selected by the parties from a panel of neutral arbitrators provided by the arbitration service and shall be chosen by the striking method. Each party shall bear its own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this Franchise Agreement. The award or decision by the arbitrator shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The prevailing party shall be entitled to reimbursement of its costs including reasonable accounting and attorneys’ fees, in connection with such proceeding. Parties to arbitration under this Franchise Agreement shall not include, by consolidation, joinder or in any other manner, any person other than Franchisee and any Person in Privity with or claiming through, in the right of or for Franchisee or Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Franchisee or any Person in Privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor. The parties agree that any arbitration arising out of a dispute relating to this Franchise Agreement is only a matter between Franchisor and Franchisee and no other franchisees or area developers, if any. Franchisee agrees not to join or attempt to join other franchisees, area developers, or other third parties in any arbitration proceeding and to not participate in any “class action” litigation or arbitration proposed or asserted by any other franchisee(s). Except as required by applicable law, including any required disclosure in Franchisor’s franchise disclosure document, the entire arbitration proceedings and related documents are confidential. Except as necessary to enforce the decision of the arbitrator hereunder, all conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the arbitration by any of the parties, their agents, employees or representatives and by the arbitrator, are confidential.

20.320.4 Provisional Remedies. Nothing in Sections 20.1 or 20.2 of this Franchise Agreement will bar either party’s right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Franchise Agreement, which claims shall not be subject to mediation or arbitration. Either party also will be able to seek injunctive relief to prohibit any act or omission by the other party or its employees that constitutes a violation of any applicable health or safety law, is dishonest or misleading to Franchisee’s customers or to the public, or which may impair the goodwill associated with the Marks.



In addition, in order to protect from violations that would cause immediate loss and damages or irreparable harm, Franchisor, without first seeking mediation or arbitration, shall have the right to seek:

- (a) an action to secure injunctive relief or specific performance and any related incidental damages;
- (b) an action for disputes or claims related to or based on Franchisor's protected intellectual property rights in the Marks, Copyrighted Materials or the System;
- (c) an action for issues related to the disclosure or misuse of Confidential Information or Trade Secrets;
- (d) an action seeking to enforce any of the Franchisee's post-termination obligations under this Franchise Agreement;
- (e) an action seeking to enforce Franchisor's right to indemnification; or
- (f) an action for any claim related to a violation of the restrictive covenants contained in this Franchise Agreement.

If a judicial action is expressly permitted by Section 20.34 of this Franchise Agreement, any such action brought by Franchisee against Franchisor will be brought exclusively, and any such action brought by Franchisor against Franchisee may be brought, in the federal or state court in which Franchisor's principal place of business is located (currently Orlando, Florida) when the action is commenced. The prevailing party will be entitled to recover its costs and reasonable attorney fees incurred by it in obtaining such relief. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

20.420.5 No right or remedy conferred upon or reserved to Franchisor or Franchisee hereby is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

20.520.6 Any claim or controversy arising out of or related to this Franchise Agreement, or the making, performance, breach, interpretation, or termination thereof, brought by any party hereto against the other, will be commenced within one year from the occurrence of the facts giving rise to such claim or action, or such claim or action will be barred provided, however, that the forgoing limitation shall not apply (i) where prohibited by applicable law; (ii) to the indemnification obligations under this Franchise Agreement; or (iii) to the mediation and arbitration exceptions in Section 20.2 and Section 20.3. EXCEPT FOR SUCH PUNITIVE OR EXEMPLARY DAMAGES FOR VIOLATION OF THE LANHAM ACT, TRADEMARK INFRINGEMENT OR DILUTION, UNAUTHORIZED DISSEMINATION OF THE CONFIDENTIAL INFORMATION OR TRADE SECRETS OR ARISING UNDER THE INDEMNIFICATION SET OUT IN SECTION 12, THE PARTIES TO THIS FRANCHISE AGREEMENT HEREBY WAIVE IN ANY ARBITRATION OR JUDICIAL ACTION, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH WILL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT AND EQUITABLE RELIEF TO WHICH IT SHOWS IT IS ENTITLED, INCLUDING SPECIFIC PERFORMANCE, INJUNCTIVE OR DECLARATORY RELIEF.



~~20.620.7~~ Franchisor and Franchisee each agree that the terms of this Section 20 shall expressly survive any termination or expiration of this Franchise Agreement.

21. MISCELLANEOUS

21.1 In order to prevent any interruption of the operations which would cause harm to the Hounds Town USA Business, thereby depreciating the value thereof, Franchisor has the right, but not the obligation, to step-in and designate an individual of its choosing (an “Interim Manager”) for so long as Franchisor deems necessary and practical to temporarily manage the Hounds Town USA Business: (i) if Franchisee fails to comply with any provision of this Franchise Agreement and does not cure the failure within the time period specified by the Franchise Agreement or Franchisor; (ii) if Franchisor determines in its sole judgment that the operation of the Hounds Town USA Business is in jeopardy; (iii) if Franchisor determines in its sole discretion that operational problems require that Franchisor operates the Hounds Town USA Business; (iv) if Franchisee abandons or fails to actively operate the Hounds Town USA Business; (v) upon Franchisee’s or the Designated Manager’s absence, termination, illness, death, incapacity, divorce or disability; or (vi) if Franchisor deems Franchisee or the Designated Manager incapable of operating the Franchise (“Step-in Rights”). If Franchisor exercises the Step-in Rights:

(a) Franchisee agrees to pay us, in addition to all other amounts due under this Franchise Agreement, a commercially reasonable amount (currently estimated to be equal to \$750 per day that the Interim Manager manages the Hounds Town USA Business), plus the Interim Manager’s direct out-of-pocket costs and expenses;

(b) All monies from the operation of the Hounds Town USA Business during such period of operation by Franchisor shall be kept in a separate account, and the expenses of the Hounds Town USA Business, including the fee paid to the Interim Manager, shall be charged to said account;

(c) Franchisee acknowledges that the Interim Manager will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses, or obligations the Hounds Town USA Business incurs, or to any of Franchisee’s creditors for any supplies, products, or other assets or services the Hounds Town USA Business purchases, while Interim Manager manages it;

(d) The Interim Manager will have no liability to Franchisee except to the extent directly caused by its gross negligence or willful misconduct. Franchisor will have no liability to you for the activities of an Interim Manager unless Franchisor is grossly negligent in appointing the Interim Manager and agrees to indemnify and hold harmless Franchisor, the Interim Manager, and any representative of Franchisor who may act hereunder, from any and all acts which Franchisor may perform or omissions, as regards the interests of Franchisee or third parties; and

(e) Franchisee agrees to pay all of Franchisor’s reasonable attorney fees and costs incurred as a consequence of Franchisor’s exercise of the Step-in Rights.

Nothing contained herein shall prevent Franchisor from exercising any other right which Franchisor may have under this Franchise Agreement, including, without limitation, termination.



21.2 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other applicable federal law, this Franchise Agreement shall be interpreted under the laws of the state of Florida and any dispute between the parties shall be governed by and determined under the substantive laws of the state of Florida which laws shall prevail in the event of any conflict of law, subject to applicable state law; provided, however, the parties expressly agree this Franchise Agreement is not intended to confer on any Franchisee that is not a resident of the State of Florida the benefit of any Florida law providing specific protection to franchisees residing or operating in the State of Florida. **FRANCHISEE AND FRANCHISOR HAVE NEGOTIATED REGARDING A FORUM IN WHICH TO RESOLVE ANY DISPUTES WHICH MAY ARISE BETWEEN THEM AND HAVE AGREED TO SELECT A FORUM IN ORDER TO PROMOTE STABILITY IN THEIR RELATIONSHIP. IF A CLAIM IS ASSERTED IN ANY LEGAL PROCEEDING INVOLVING FRANCHISEE, ITS OFFICERS, DIRECTORS, MANAGERS, MEMBERS, OR PARTNERS AND FRANCHISOR, ITS OFFICERS, DIRECTORS, SHAREHOLDERS, MANAGERS, MEMBERS, EMPLOYEES OR AFFILIATES, BOTH PARTIES AGREE THAT THE EXCLUSIVE VENUE FOR DISPUTES BETWEEN THEM SHALL BE IN COLORADO OR FLORIDA AT FRANCHISOR'S ELECTION AND EACH WAIVES ANY OBJECTION EITHER MAY HAVE TO THE PERSONAL JURISDICTION OF OR VENUE IN COLORADO OR FLORIDA. FRANCHISEE IRREVOCABLY SUBMITS TO THE JURISDICTION OF SUCH MEDIATORS, ARBITRATORS AND COURTS AND WAIVES ANY OBJECTION FRANCHISEE MAY HAVE TO EITHER THE JURISDICTION OR VENUE IN SUCH MEDIATION, ARBITRATION OR COURT.**

21.3 All provisions of this Franchise Agreement are severable and this Franchise Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not included herein; all partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

21.4 If either party institutes a legal proceeding, including a permitted court proceeding or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on this Franchise Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorney fees, court costs and all of the prevailing party's expenses in connection with any action at law, including costs and fees for any post-judgment motions and proceedings, such as motions and hearings on motions for fees and costs.

21.5 No failure, forbearance, neglect or delay of any kind by Franchisor in connection with the enforcement or exercise of any rights under this Franchise Agreement shall affect or diminish Franchisor's right to strictly enforce and take full benefit of each provision of this Franchise Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice regarding this Franchise Agreement by Franchisee or Franchisor's other franchisees shall preclude the strict enforcement of this Franchise Agreement under its literal terms. No waiver by Franchisor of performance of any provision of this Franchise Agreement shall constitute or be implied as a waiver of Franchisor's right to enforce that provision in the future. No interpretation, change, termination or waiver of any provision of this Franchise Agreement, and no consent or approval under this Franchise Agreement, shall be binding upon Franchisee or Franchisor or effective unless in writing signed by Franchisee and Franchisor's Chief Executive Officer, President or Vice President, except a waiver need be signed only by the party waiving.

21.6 This Franchise Agreement, together with the Franchise Brand Standards Manual, any written related agreements, all Exhibits, Attachments, and the State Addenda attached to the Franchise Disclosure Document as Exhibit E, constitutes the entire understanding and agreement between Franchisee and Franchisor and supersedes all prior understandings, whether oral or written, pertaining to



this Franchise Agreement, the License, the System or the Hounds Town USA Business. Nothing in the agreement or in any related agreement is intended to disclaim the representations franchisor made in the Franchise Disclosure Document.

21.7 The headings of the Sections hereof are for convenience only and do not define, limit or construe the contents of the sections of such Sections or other Sections. The term “Franchisee” herein is applicable to one or more persons, or an Entity, as the case may be, and the singular usage (where applicable) includes the plural and the masculine and neuter usages (where applicable) include the other and the feminine. The term “Lease” shall include a sublease, and a renewal or extension of a lease or sublease.

21.8 When calculating the date upon or the time within which any act is to be done under this Franchise Agreement, the date which is the reference date in calculating such period is excluded; if the last day of such period is a non-business day, the period in question shall end on the next business day. Time shall be of the essence of this Franchise Agreement and of every part thereof.

21.9 Neither party shall be liable for any loss or damage due to any delay in the performance of the terms of this Franchise Agreement (except for the payment of money) because of strikes, lockouts and other labor relations, fires, riots, wars, terrorist attacks, embargoes and civil commotion, or acts of God or other catastrophe, act of any government and any other similar cause which is beyond the party’s control and cannot be overcome by use of normal commercial measures (“Force Majeure Event”). Force Majeure Event shall be construed narrowly and does not include general economic, market or societal conditions, or any changes thereto, even those that are the direct or indirect result of the Force Majeure Event. Any such delay shall extend performance only so long as such event is in progress except such Force Majeure Event will not affect or change Franchisee’s obligation to pay Royalty Fees and Brand Fund Contributions when due. Notwithstanding the foregoing, if there is a Force Majeure Event, Franchisor may, in its sole discretion, elect to waive the Royalty Fees and Brand Fund Contributions during the period of delay caused by the Force Majeure Event or such shorter period. Each party must use its best efforts to mitigate the effect of a Force Majeure Event upon its performance of the Franchise Agreement and to fulfill its obligations under the Franchise Agreement. Upon completion of a Force Majeure Event, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Franchise Agreement. A Force Majeure Event shall not affect Franchisee’s obligations to comply with any restrictive covenants in this Franchise Agreement during or after the Force Majeure event.

21.10 Franchisee shall execute and deliver such instruments, contracts, forms and other documents and shall perform such acts as may be necessary or desirable to carry out, complete and perform all terms, covenants and obligations of this Franchise Agreement. Franchisee irrevocably appoints Franchisor as its attorney, which appointment is coupled with an interest, and empowers Franchisor to execute such instruments regarding the Marks for and in Franchisee’s name in order to give full effect to Sections 10, 12, 15, and 17 of this Franchise Agreement. Franchisee declares that the power of attorney herein granted may be exercised during any subsequent legal incapacity on its part.

21.11 This Franchise Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Franchise Agreement shall be binding upon, and subject to Section 15, shall inure to the benefit of, Franchisor’s and Franchisee’s successors and permitted assigns.

21.12 This Franchise Agreement may only be modified in writing and signed by Franchisee and Franchisor. Franchisee agrees Franchisor may modify its standards and specifications and operating and marketing techniques in the Franchise Brand Standards Manual unilaterally under any conditions and to the extent in which Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the



Marks, and the quality of the System, but under no circumstances will such modifications be made arbitrarily without such determination. Notwithstanding anything herein to the contrary, Franchisor shall have the unilateral right to reduce the scope of any covenants of Franchisee in this Franchise Agreement upon notice to Franchisee and Franchisee shall comply with the modified covenants.

21.13 Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of Franchisor or independent contractors which Franchisor has contracted with to provide such services. Franchisee agrees in advance to any delegation by Franchisor of any or all of its obligations and duties hereunder.

21.14 This entire Franchise Agreement, including corrections, changes, and all attachments and addenda, will only be binding upon Franchisor when executed or initialed by Franchisor's authorized representative.

(Signature Page Follows)



IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the date first set forth above.

FRANCHISOR:

HOUNDS TOWN USA, LLC

Date: _____

By (sign): _____

Printed Name: _____

Title: _____

FRANCHISEE:

Date: _____

Sign: _____

Printed Name, Individually

OR (if a corporation or partnership):

Company Name

Date: _____

By (sign): _____

Printed Name: _____

Title: _____



ATTACHMENT A
TO THE FRANCHISE AGREEMENT

FRANCHISE DATA SHEET

1. Effective Date. The Effective Date set forth in the introductory Paragraph of the Franchise Agreement is: _____, 20__.

2. Franchise Owner. The Franchise Owner set forth in the introductory Paragraph of the Franchise Agreement is: _____

3. Type of Franchise. The type of franchise to be acquired under the Franchise Agreement is (select one):

_____ Single;

_____ Multi-~~3~~ Franchise. _____;

_____ Multi-3 Franchise.

4. Initial Franchise Fee. The Initial Franchise Fee described in Section 5.1 of the Franchise Agreement is (check one):

_____ \$49,000 - Franchisee is purchasing a single Franchise.

_____ \$88,000 – Franchisee is purchasing a Multi-2 Franchise and this Franchise Agreement is for the first Hounds Town USA Franchise under the Multi-Franchise Addendum to the Franchise Agreement.

_____ \$125,000 - Franchisee is purchasing a Multi-3 Franchise and this Franchise Agreement is for the first Hounds Town USA Franchise under the Multi-Franchise Addendum to the Franchise Agreement.

_____ Not applicable - this is the second or third Hounds Town USA Franchise and Franchisee has previously signed a Multi-Franchise Addendum.

5. Launch Fee. The Launch Fee set forth in Section 5.6 of the Franchise Agreement and payable by Franchisee to Franchisor is (select one): _____ \$30,000 (if this is the first Hounds Town USA Business Franchisee has developed); or _____ \$ _____ \$27,000 (if Franchisee has already developed at least one Hounds Town USA Business).

6. Notice Address. The notice address for Franchise Owner set forth in Section 19 of the Franchise Agreement is:

Attn: _____



7. Franchised Location; Territory. If a particular site for the Hounds Town USA Business has been selected and approved at the time of the signing of this Franchise Agreement, it shall be entered in Attachment A-1 as the Facility, and the Territory shall be as listed in Attachment A-1. If a particular site has not been selected and approved at the time of the signing of this Franchise Agreement, Section 8 of this Attachment A will describe the location in general terms below in the “General Description.” The General Description does not confer any territory rights to Franchisee, but Franchisee may not search for a site for the Facility outside of the General Description without Franchisor’s prior approval. Franchisor may sell other franchised locations in the area in the General Description. After Franchisor has approved a location for Franchisee’s Hounds Town USA Business, Franchisor shall complete the location of the Facility and the Territory in Attachment A-1. As the Territory is dependent on the location of the Hounds Town USA Business, Franchisor will present Franchisee with the Territory upon the identification of the site for the Hounds Town USA Business. If Franchisee does not wish to accept the Territory, Franchisee may choose another site location and Franchisor will present Franchisee with another Territory based on the site selected.

8. General Description of Area for Franchised Location. (If the Hounds Town USA Business location is not specified above as of the signing of the Franchise Agreement): _____
_____.

FRANCHISOR:

HOUNDS TOWN USA, LLC

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

By: _____

Printed Name: _____

Title: _____



ATTACHMENT A-1
TO THE FRANCHISE AGREEMENT

Franchisee has received approval for site location for the Hounds Town USA Business that satisfies the demographics and location requirements minimally necessary for a Hounds Town USA Business and that meets Franchisor's minimum current standards and specifications for the build-out, interior design, layout, floor plan, signs, designs, color, and décor of a Hounds Town USA Business. Franchisee and Franchisor have mutually agreed upon a Territory based on the site for the Facility which is indicated below. Franchisee acknowledges that the Territory is in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document.

Location for Facility:

The Facility for Franchisee's Hounds Town USA Business as provided in the Franchise Agreement is:

_____.

Territory:

The Territory as provided in the Franchise Agreement is:

FRANCHISOR:

HOUNDS TOWN USA, LLC

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

By: _____

Printed Name: _____

Title: _____



ATTACHMENT B
TO THE FRANCHISE AGREEMENT

OWNERS AGREEMENT

As a condition to the execution by Hounds Town USA, LLC (“we” or “us”), of a Franchise Agreement with _____ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect 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 into a franchise agreement with us effective as of _____, 20____ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Role of Owners. Owners are the beneficial owners or spouses of the beneficial owners of all of the direct and indirect equity interest, membership interest, or other equity controlling 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 direct and indirect 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. Continuing Guarantee.

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement whether now or in the future 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 whether now or in the future 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, whether now or in the future, 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.



4.7 Waiver of Acceptance, Default and Defenses. Owners waive: (i) acceptance and notice of acceptance by us of the forgoing undertakings; (b) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; and (c) any and all other notices and legal or equitable defenses, right of setoff, claim or counterclaim whatsoever to which they may be entitled at any time hereunder.

4.8 Continuing Nature. Owners agree that each of the obligations in this Section 4 shall be continuing and shall not be discharged by: (i) the insolvency of Franchisee or the payment in full of all of the obligations at any time; (ii) the power or authority or lack thereof of Franchisee to incur the obligations; (iii) the validity or invalidity of any of the obligations; (iv) the existence or non-existence of Franchisee as a legal entity; (v) the transfer or assignment of all or a portion of the ownership in Franchisee and/or the assets of Franchisee; (vi) the execution of an owners agreement or any other form of guaranty by any direct, indirect or beneficial owner of Franchisee in favor of us or our successors or assigns; (vii) any statute of limitations affecting the liability of Owners or the ability of us to enforce this Franchise Owner Agreement or the obligations; (viii) any right of offset, counterclaim or defense of any Owner, including, without limitation, those which have been waived by Owners pursuant to this Franchise Owners Agreement; or (ix) the expiration, termination or assignment of the Franchise Agreement or any other agreement between you or Franchisee and us or our affiliates.

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 breach of this Owners Agreement and the Franchise Agreement. We may, from time to time, without notice to Owners, assign or transfer any or all of Owners' rights, duties and obligations or any interest therein in this Owners Agreement and, notwithstanding any assignment(s) or transfer(s), the rights, duties and obligations shall be and remain for the purpose of this Owners Agreement. Each and every immediate and successive assignee or transferee of any of the rights, duties or obligations of any interest therein shall, to the extent of such party's interest in the rights duties and/or obligations, be entitled to the benefits of this Owners Agreement to the same extent as if such assignee or transferee were us.

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:

Hounds Town USA, LLC
~~150 E. Robinson St., Unit 2008~~
~~Orlando, Florida 32801~~
~~603 S. Public Road, #75~~
Lafayette, CO 80026



The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners 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.

(Signature Page Follows)



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

OWNER(S):

Sign: _____
Printed Name: [Insert Name of Owner]
Address: [Insert Address of Owner]

Sign: _____
Printed Name: [Insert Name of Spouse]
Address: [Insert Address of Spouse]

Sign: _____
Printed Name: [Insert Name of Owner]
Address: [Insert Address of Owner]

Sign: _____
Printed Name: [Insert Name of Spouse]
Address: [Insert Address of Spouse]

Sign: _____
Printed Name: [Insert Name of Owner]
Address: [Insert Address of Owner]

Sign: _____
Printed Name: [Insert Name of Spouse]
Address: [Insert Address of Spouse]

Sign: _____
Printed Name: [Insert Name of Owner]
Address: [Insert Address of Owner]

Sign: _____
Printed Name: [Insert Name of Spouse]
Address: [Insert Address of Spouse]

Hounds Town USA, LLC hereby accepts the agreements of the Owner(s) hereunder.

HOUNDS TOWN USA, LLC

By: _____

Title: _____



ATTACHMENT C
TO THE FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership
(Check One)

Individual Partnership Corporation Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: _____

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners*: Please include each person or entity who is a direct and indirect owner of franchisee (attach additional sheets if necessary). If any of the owners are also business entities, please list the entities and owners of each of those business entities also.

Name	Address	Percentage Owned



*If any members, stockholders, or partners are entities, please list all the entities and direct and indirect owners of such entities up through the individuals.

Franchisee acknowledges this Statement of Ownership applies to the Hounds Town USA Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

FRANCHISEE:

Entity name (if any):

By: _____

Printed Name: _____

Title: _____



ATTACHMENT D

MINIMUM INSURANCE REQUIREMENTS

- A. Capitalized terms used in this Exhibit shall have the meanings given to such terms in the Agreement to which this Exhibit is attached and made part of (unless specifically defined in this Exhibit).
- B. “Franchisor” as used herein shall be deemed to include their respective directors, officers, members, trustees, principals, partners, shareholders, employees, volunteers, subsidiaries, successors, assignees, affiliates, licensees, servants and agents. Franchisor is to be scheduled on all ACORD certificate(s) of insurance, additional insured, primary and noncontributory and waiver of subrogation endorsements as required herein.
- C. Franchisee shall procure and/or maintain, or cause to be maintained, for the full term and thereafter as required herein, at their sole cost and expense, the following insurance coverage:
1. Property insurance shall insure the personal property (improvements and betterments, and contents) under a form with coverage not less than that found on ISO “Causes of Loss – Special Form” and ISO “Building and Personal Property Form” or their equivalent forms, with replacement cost valuation. The coverage shall include: (i) 100% of the estimated replacement cost of the personal property and all improvements and betterments; (ii) agreed amount or a coinsurance waiver; (iii) waiver of subrogation in favor of Franchisor; (vi) business income and extra expense for a period of 12 months and 12 months extended period of indemnity. In addition, the property policy shall cover: windstorm, acts of terrorism (at a minimum TRIA coverage), earthquake and flood.
 2. Commercial general liability insurance shall cover all operations, services and/or work of Franchisee for bodily injury and property damage, advertising and personal injury liability with limits of not less than:
 - a. \$1,000,000 each occurrence.
 - b. \$1,000,000 personal and advertising injury.
 - c. \$1,000,000 damage to premises rented to you liability.
 - d. \$2,000,000 general aggregate (other than products – completed operations).
 - e. \$2,000,000 products – completed operations aggregate.

Coverage shall be written on an “occurrence” basis using an ISO CG 00 01 form (“claims made” is not acceptable), with the following minimum coverage:

- a. Separation of insureds (as provided by ISO CG 00 01 form).
 - b. Contractual liability (as provided by ISO CG 00 01 form).
 - c. Additional insured coverage at least as broad as the insurance available to the named insured using ISO CG 20 26 (ISO edition 10/01 or 07/04 are acceptable) or similar carrier specific form and must specifically schedule the Franchisor.
 - d. Additional insured status must be on a primary and noncontributory basis.
 - e. Waiver of subrogation endorsement ISO CG 24 04 or similar carrier specific form must specifically schedule Franchisor.
 - f. If franchise is located in New York, no “action over”, “bodily injury to independent contractors”, “New York labor law” or similar restrictions, endorsements, or exclusions.
3. Commercial automobile liability insurance shall cover all owned, leased, non-owned and hired vehicles for bodily injury and property damage with limits of not less than \$1,000,000 per accident and shall be written on an ISO CA 00 01 form and include Franchisor as an additional insured on a primary and non-contributory basis and a waiver of subrogation in favor of Franchisor.



4. Workers' compensation and employers' liability insurance in accordance with the applicable state statutes and laws exercising jurisdiction over employees. Sole proprietorships, members of LLC's, executive officers of corporations, and partners who will be performing any operations, services or work may not "opt out" of coverage in states where allowed. Employers' liability limits not less than:
 - a. \$1,000,000 bodily injury by accident, for each accident.
 - b. \$1,000,000 bodily injury by disease, policy limit.
 - c. \$1,000,000 bodily injury by disease, each employee.

Coverage to include the following minimum coverage:

- a. Where allowed by law, a waiver of subrogation endorsement in favor of Franchisor.
 - b. If franchise is located in West Virginia, endorse the employers' liability to provide coverage for "intentional acts".
 - c. If franchise is located in Texas, Occupational Accident Liability coverage is not an acceptable replacement for workers' compensation and employers' liability coverage.
5. Umbrella liability insurance shall cover all operations, services and/or work of Franchisee and shall be follow form of the employers' liability, commercial general liability and commercial automobile liability insurance policies as detailed in this Insurance Exhibit with limits of not less than:
 - a. \$2,000,000 each occurrence.
 - b. \$2,000,000 general aggregate.
 - c. \$2,000,000 products – completed operations aggregate.

Coverage shall be written on an "occurrence" basis form which is acceptable to Franchisor ("claims made" is not acceptable), with the following minimum coverage:

- a. Franchisor as an Additional insured with coverage at least as broad as the insurance available to the named insured.
 - b. Additional insured status must be on a primary and noncontributory basis.
6. Professional liability (errors & omissions) insurance which shall cover an actual or alleged negligent act, error, or omission arising out of any operations, services or work of Franchisee with limits of not less than \$3,000,000 each claim and include a waiver of subrogation in favor of Franchisor. Franchisee warrants that any applicable retroactive date precedes the date the Franchisee first performed any operations, services or work and that continuous coverage or an extended reporting period shall remain in force for a period not less than three (3) years following the termination of the franchise agreement.
 7. And such other or additional insurance as may be customary, required by law, or as Franchisor or Franchisee deems necessary to maintain.
- D. All reference to "ISO" means unamended versions of the Insurance Services Office insurance policy forms.
 - E. All required insurance shall use Insurers with a minimum A.M. Best rating of A X and all insurers shall be licensed or authorized to do business in the state where any operations, services and/or work is being performed.
 - F. All required insurance shall be appropriate for all operations, services and/or work being performed and provide protection from claims that may arise out of or result from Franchisee's performance of any operations, services and/or work and Franchisee's other obligations under the agreement, whether it is to be performed by Franchisee, any independent contractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable.



- G. Franchisee is responsible to notify Franchisor immediately of any cancellation or non-renewal of insurance. All required insurance shall be endorsed to provide that Franchisor receives thirty (30) days prior written notice of cancellation or nonrenewal except ten (10) days for nonpayment of premium.
- H. Prior to the start of any operations, services and/or work, Franchisee shall furnish Franchisor with ACORD certificate(s) of insurance executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth herein along with a copy of the endorsements providing: additional insured, additional insured is on a primary and noncontributory basis, waiver of subrogation and cancellation or nonrenewal.

Any waiver of Franchisee’s obligation to furnish such ACORD certificate(s) or maintain such insurance must be in writing and signed by an authorized representative of Franchisor. Failure of Franchisor to demand such certificate(s) or other evidence of full compliance with these insurance requirements or failure of Franchisor to identify a deficiency from evidence that is provided shall not be construed as a waiver of Franchisee’s obligation to maintain such insurance, or as a waiver as to the enforcement of any of these provisions at a later date. Franchisor may, in its sole discretion, procure any insurance required by this Insurance Exhibit which Franchisee neglects, refuses or is unable to obtain. Premiums therefore shall be paid by Franchisee to Franchisor on demand along with an administrative fee of \$2,500 for Franchisor’s cost to procure Franchisee’s insurance.

ACORD certificate(s) with required attachments should be emailed to Certificate Holder listed below:

Entity
 Address
 City, State Zip
 Attention: _____ (email address)

Franchisee’s ACORD certificate(s) will evidence all deductibles greater than \$25,000 for any of the required insurance coverage. To the extent any Deductible is permitted or allowed as a part of any insurance policy maintained by Franchisee in compliance with this Insurance Exhibit, such Deductible shall be subject to Franchisor’s reasonable approval. Any such Deductible shall be paid for, assumed by, for the account of and at Franchisee’s sole risk. Franchisor shall not be responsible for the payment of any such Deductible.

- I. Upon the request of Franchisor, a complete copy of the required insurance policies and/or any other documents or information necessary to verify the insurance coverage required herein, are to be submitted to Franchisor within five (5) days of such request.
- J. Franchisee shall cooperate with Franchisor’s insurers. Franchisee shall take no action which might operate to bar Franchisor from obtaining protection afforded by Franchisee’s insurance policies or which might prejudice Franchisor in its defense to a claim.
- K. The minimum limits, terms and conditions set forth herein will not be construed as a limitation of Franchisor rights under any insurance policy and no insurance policy maintained by Franchisee shall be endorsed as such.
- L. The insurance coverage set forth in this Insurance Exhibit, will in no way limit Franchisee liability arising out of any operations, services and/or work (including liability under indemnification provisions) or under any other agreements or by-law. Franchisee will be responsible for determining appropriate inclusions, coverage and limits which may be in excess of the minimum insurance requirements set forth herein.
- M. This Insurance Exhibit is an independent contract provision and shall survive the termination or expiration of the agreement.

(Signature Page Follows)



FRANCHISEE:

Entity name (if any):

By: _____

Printed Name: _____

Title: _____



ATTACHMENT E

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

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

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the



franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.
16. **As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.**
17. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any



franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

18. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
19. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.
20. The “Liquidated Damages” provision in Item 6 of the FDD and Section 17.20 of the Franchise Agreement will be modified for Washington franchisees to remove the \$100,000 minimum liquidated damages and to provide for liquidated damages equal to the expected Royalty Fees for the lesser of two years or the remainder of the Franchise Agreement.
21. The calculation of “Gross Sales” includes the full redemption value of any voucher or coupon sold for use at the business, and fees retained by or paid to third-party sellers of such vouchers or coupons are not excluded from the calculation. If either the redemption value or third-party fee aspects of the definition is found to violate RCW 19.100.180(1), it may not apply to Washington franchisees.
22. The following provision in Section 7.7 of the Franchise Agreement does not apply to Washington franchisees: “Absent the timely provision of notice to Franchisor, Franchisee shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee’s judgment.”
23. Section 10.6 of the Franchise Agreement requiring franchisees to that franchisees to agree to hold harmless and forever discharge the Franchisor from all claims, demands and causes of action that the franchisee may have in connection with authorizing the Franchisor to use the franchisee’s likeness in photographs or video will not apply to Washington franchisees.
24. The franchisee’s obligations to indemnify, defend, reimburse, and hold harmless referenced in Section 12.2 of the Franchise Agreement do not extend to liabilities caused by the franchisor’s or the indemnified parties’ negligence, willful misconduct, strict liability, or fraud. Additionally, Section 12.2 of the Franchise Agreement is revised to state: “Franchisees will not indemnify the franchisor and the indemnified parties for claims, causes of action, lawsuits, demands, proceedings, investigations, and/or hearings related to the franchisor or the indemnified parties’ violation of state or federal franchise laws.”
25. Section 15.3 of the Franchise Agreement requiring franchisees to waive claims, demands, or damages against the Franchisor arising from or related to the transfer of the Marks, assets or the System from the Franchisor to any other party will not apply to Washington franchisees.
26. The last sentence of Section 15.7(g) of the Franchise Agreement is hereby amended to state, “Franchisee authorizes Franchisor to confer with a proposed transferee and furnish it with information concerning the Hounds Town USA Business and the terms and conditions of the



proposed transfer, and Franchisor may do so with no liability, except for intentional misstatements made to a transferee or where Franchisor has otherwise acted in bad faith.”

27. The requirement in Section 17.20 of the Franchise Agreement requiring that the franchisee agree that the liquidated damages provision is a reasonable, good faith pre-estimate of damages does not apply to Washington franchisees.

28. The provision in Section 20.6 of the Franchise Agreement limiting the time in which a franchisee may bring a claim related to the franchise agreement does not apply to claims by Washington franchisees.

29. Section 8.4 of the Franchise Owner Agreement contained as Attachment B in the Franchise Agreement is revised to remove the language of “and not strictly for or against either party.”

30. Section 8.8 of the Franchise Owner Agreement contained as Attachment B in the Franchise Agreement does not apply to Washington franchisees.

31. **Fee Deferral.** Item 5 of the Franchise Disclosure Document is amended to state that the State of Washington has imposed a financial condition. The franchisor will defer collection of all initial franchise fees described in Item 5 of the Franchise Disclosure Document until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business. The franchisor will prorate the initial franchise fee under a multi-franchise addendum, such that the franchisee will pay the Franchisor the development fee proportionally upon the opening of each unit franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____, 20_____.

Signature of Franchisor Representative

Signature of Franchisee Representative

Title of Franchisor Representative

Title of Franchisee Representative



EXHIBIT D

LIST OF CURRENT AND FORMER FRANCHISEES



Current Franchisees as of December 31, 2023:

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Kennemore_	Scott_	S& K KENNEMORE COMPANY Kennemore Company, INC.	210 N Avondale Blvd Ste., Suite 108	Avondale	AZ	85323	(623) 400- 5580	ScottK@houndstownusa.com
<u>Bragdon</u>	<u>Jennie</u>	<u>F & B Pet Services,</u> <u>INC.</u>	<u>7410 W</u> <u>Blandford</u> <u>Drive</u>	<u>Tucson</u>	<u>AZ</u>	<u>85742</u>	<u>(520) 400-</u> <u>4151</u>	<u>jennie.bragdon@houndstownusa.com</u>
<u>Trevor</u>	<u>Tiner</u>	<u>Tiner Investment</u> <u>Corporation</u>	<u>832 W.</u> <u>Baseline</u> <u>Road</u>	<u>Mesa</u>	<u>AZ</u>	<u>85210</u>	<u>(480) 656-</u> <u>5700</u>	<u>trevor.tiner@houndstownusa.com</u>
<u>Chris</u>	<u>McNaughton</u>	<u>Puppy Playground,</u> <u>LLC</u>	<u>11465 West I-</u> <u>70 Frontage</u> <u>Road North</u>	<u>Wheat Ridge</u>	<u>CO</u>	<u>80033</u>	<u>(303) 284-</u> <u>8026</u>	<u>Chris.McNaughton@houndstownusa.com</u>
<u>Gerner</u>	<u>Daniel</u>	<u>Gemba, LLC</u>	<u>3771</u> <u>Monarch</u> <u>Street, Unit E</u>	<u>Frederick</u>	<u>CO</u>	<u>80516</u>	<u>(303) 997-</u> <u>3838</u>	<u>dan.gerner@houndstownusa.com</u>
<u>Taylor</u> <u>Novy</u>	<u>RobMark</u>	<u>Black Labs</u> <u>Matter</u> <u>LLC</u> <u>Dogs</u> <u>Are My Jam,</u> <u>INC.</u>	<u>1369 W Byers</u> <u>Place, Unit</u> <u>A</u>	<u>Denver</u>	<u>CO</u>	<u>80223</u>	<u>(303) 862-</u> <u>8202</u>	<u>RtaylorMark.Novy@Houndstownusa.com</u>
<u>Leblanc</u>	<u>Robert</u>	<u>Wellness</u> <u>Unleashed, LLC</u>	<u>92 Weston</u> <u>Street,</u> <u>Suite 39</u>	<u>Hartford</u>	<u>CT</u>	<u>06120</u>	<u>(475) 454-</u> <u>6863</u>	<u>Bob.Lablanc@houndstownusa.com</u>
<u>Duncan</u>	<u>Jeff</u>	<u>Prestige Worldwide</u> <u>1989, LLC</u>	<u>45 Summerlin</u> <u>Lane</u>	<u>St. Augustine</u>	<u>FL</u>	<u>32095</u>	<u>(904) 640-</u> <u>8696</u>	<u>Jeff.Duncan@houndstownusa.com</u>
<u>Stoner</u>	<u>Roy</u>	<u>RCS-NJY, INC.</u>	<u>8595 Beach</u> <u>Blvd., Suite</u> <u>301</u>	<u>Jacksonville</u>	<u>FL</u>	<u>32216</u>	<u>(904) 678-</u> <u>8696</u>	<u>roy.stoner@houndstownusa.com</u>
<u>Jaeger</u>	<u>Aaron</u>	<u>Colby &</u> <u>Jack, LLC</u>	<u>3611 1st St. E,</u> <u>#1010</u>	<u>Bradenton</u>	<u>FL</u>	<u>34208</u>	<u>(941) 212-</u> <u>6898</u>	<u>Aaron.Jaeger@houndstownusa.com</u>
<u>Rabinowitz</u>	<u>Toni</u>	<u>RABTOWN,</u> <u>INC.</u>	<u>5149</u> <u>Powerline Rd.</u>	<u>Fort</u> <u>Lauderdale</u>	<u>FL</u>	<u>33309</u>	<u>(954) 982-</u> <u>8244</u>	<u>Toni@houndstownusa.com</u>
<u>Chris</u>	<u>LaBianco</u>	<u>Startide</u> <u>Rising, INC.</u>	<u>1195 S.</u> <u>Woodland</u> <u>Blvd., Suite D</u>	<u>DeLand</u>	<u>FL</u>	<u>32720</u>	<u>(321) 266-</u> <u>2785</u>	<u>Chris.Labianco@houndstownusa.com</u>
<u>Rector</u>	<u>Jackie</u>	<u>GHSR &</u> <u>Associates, LLC</u>	<u>3363 N. State</u> <u>Street</u>	<u>Bunnell</u>	<u>FL</u>	<u>32110</u>	<u>(386) 387-</u> <u>3649</u>	<u>Jackie.Rector@houndstownusa.com</u>
<u>Darcy</u>	<u>Barbara</u>	<u>Paws</u> <u>Universal,</u> <u>LLC</u>	<u>5960</u> <u>Lakehurst</u> <u>Dr, Drive</u>	<u>Orlando</u>	<u>FL</u>	<u>32819</u>	<u>(321) 340-</u> <u>7070</u>	<u>Barbara@houndstownusa.com</u>
<u>Bottesch</u>	<u>Leslie</u>	<u>LJ Affinity</u> <u>Alliance, LLC</u>	<u>3905 US-1,</u>	<u>Rockledge</u>	<u>FL</u>	<u>32955</u>	<u>(321) 877-</u> <u>0009</u>	<u>Leslie@Houndstownusa.com</u>
<u>Allen</u>	<u>Shaun</u> <u>-</u>	<u>MUTTS IN</u> <u>LOVE</u> <u>Mutts in</u> <u>Love, LLC</u>	<u>10 Keyes Ct.,</u>	<u>Sanford</u>	<u>FL</u>	<u>32773</u>	<u>(407) 732-</u> <u>4884</u>	<u>Shaun@houndstownusa.com</u>
<u>Allen</u>	<u>Shaun</u>	<u>Too Mutts</u> <u>Love, LLC</u>	<u>647 Harold</u> <u>Ave</u> <u>Avenue</u>	<u>Winter Park</u>	<u>FL</u>	<u>32789</u>	<u>(407) 559-</u> <u>2275</u>	<u>Shaun@houndstownusa.com</u>
<u>Barrett</u>	<u>Jason</u>	<u>DOWN THE</u> <u>ROAD</u> <u>The Road,</u> <u>LLC</u>	<u>13976</u> <u>Lynmar</u> <u>Blvd,</u>	<u>Tampa</u>	<u>FL</u>	<u>33626</u>	<u>(813) 852-</u> <u>0257</u>	<u>Jason@Houndstownusa.com</u>



Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Cockeram_	Darren_	DCLD_ Enterprises, LLC_	6440 Fort King Rd	Zephyrhills	FL	33542	(813) 680-2600	Dcockeram@houndstownusa.com
Evans_	Johanna_	EVANSJO_ INC_	18350 US-19_	Clearwater	FL	33764	(727) 349-1164	Johanna@houndstownusa.com
Eason_	Michelle_	ABP Pet Enterprises_ LLC	1899 Ct_	Stone Mountain	GA	30087	(470) 450-2275	Michelle@houndstownusa.com
Brown	Kevin	Ziggy Mates, INC.	8610 Roswell Rd., Suite 910	Atlanta	GA	30350	(770) 674-2226	Kevin.Brown@Houndstownusa.com
Collins_	Victor_	Zues' Palace Incorporated, INC.	1810 Spring Rd., Suite 5	Smyrna	GA	30080	(678) 217-4127	Victor.Collins@houndstownusa.com
Schluter_	Jenny_	Dogs are Family, LLC_	2610 Holcomb Bridge Rd	Alpharetta	GA	30022	(470) 719-1779	jenny.schluter@houndstownusa.com
Vander Meer_	Suzanne_	WIGGLE BUTTS ENTERPRISES Wiggly Butts Enterprises, INC.	1381 Iris Dr	Conyers	GA	30013	(470) 486-7333	Susan.VanderMeer@houndstownusa.com
Pauly_	Karen & Jim_	J & K PAULY GROUP Pauly Group, INC.	2011 W Galena Blvd.	Aurora	IL	60506	(630) 800-1717	Karenpauly@Houndstownusa.com
Beggs, Wanda	Shelley, Jamie	JSWJEW Woof Gang Pup, LLC	1720 West Chanute Rd 5998 Pleasant Colony Ct., Suite 17	Crestwood, Peoria	IL	40014	(502) 902-9663 (309) 61615306-7068	jamiewshelley.beggs@houndstownusa.com
Fehrenbach_	Kurt_	KARDI_ LLC_	8412 Jefferson Highway	Harahan	LA	70123	(504) 900-8108	Kurt@houndstownusa.com
Stoll_	Richard_	Desmond- James Inc., INC.	16598_ Oakmont Ave_	Gaithersburg	MD	20877	(301) 235-9880	Richard@houndstownusa.com
Ogden_	Travis_	Travis and June's Doggy Day Care, LLC_	1135_ Rochester Rd. Rochester	Troy	MI	48084	(833) 738-3297	TravisOgden@houndstownusa.com
Darwin_	Steve_	GNH_ Adventures_ INC_	29769 Anthony Dr_	Wixom	MI	48393	(947) 800-3647	Stevedarwin@Houndstownusa.com
MooreNovy	ConnieMark	W-C Moore Corp DAMJ St. Charles, LLC	546 1st Capitol Dr, Drive	St. Charles	MO	63301	(636) 448-6562	econnieMark.Novy@houndstownusa.com
HarperEnder	Jamie Mark	Harper Business Group, LLC	1907 S. Stewart St. 200 E Lake Mead Pkwy Unit 100	Springfield Henderson	NV MO	89015 65804	(702) 367-0082 (417) 340-9757	mark.harperJamie@houndstownusa.com
Alkire	Steve	PawPack Place of the Carolinas, LLC	115 Quail Fields	Morrisville	NC	26713	(984) 333-5963	SteveNC@houndstownusa.com
Brooks	Chris	FranPath, INC.	123 S Walnut Circle	Greensboro	NC	27409	(336) 308-8444	Chrisbrooks@houndstownusa.com



Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
<u>De Oliveira</u>	<u>Marcos</u>	<u>Rubicon Crossing Investments, INC.</u>	<u>117 West 29th Street</u>	<u>Charlotte</u>	<u>NC</u>	<u>28206</u>	<u>(704) 870-7096</u>	<u>Marcos@houndstownusa.com</u>
<u>Weikert</u>	<u>Scott</u>	<u>BNLBUSA, INC.</u>	<u>1611 Castle Hayne Rd.</u>	<u>Wilmington</u>	<u>NC</u>	<u>28401</u>	<u>(910) 800-4686</u>	<u>scott@houndstownusa.com</u>
<u>Romanelli</u>	<u>Gerald</u>	<u>Romanelli Ventures, INC.</u>	<u>2613 Hayes Road</u>	<u>Monroe</u>	<u>NC</u>	<u>28110</u>	<u>(704) 218-2100</u>	<u>gerry.romanelli@houndstownusa.com</u>
<u>Lasker</u>	<u>Jennifer</u>	<u>Mind Your Pees & Poos, INC.</u>	<u>222 Capcom Ave.</u>	<u>Wake Forest</u>	<u>NC</u>	<u>27587</u>	<u>(984) 237-3757</u>	<u>jenniferlasker@houndstownusa.com</u>
<u>Daggumati</u>	<u>Arushi</u>	<u>Remava, LLC</u>	<u>419 Route 34</u>	<u>Matawan</u>	<u>NJ</u>	<u>07747</u>	<u>(732) 696-4646</u>	<u>Arushi.Daggumati@houndstownusa.com</u>
<u>Garibell</u>	<u>Steve</u>	<u>Hounds Town Bergen HT Fairfield, LLC</u>	<u>257 US-46</u>	<u>Fairfield</u>	<u>NJ</u>	<u>07004</u>	<u>(973) 559-3647</u>	<u>Steve@houndstownusa.com</u>
<u>Garibell</u>	<u>Steve</u>	<u>Hounds Town Bergen LLC</u>	<u>450 Main St.</u>	<u>Lodi</u>	<u>NJ</u>	<u>07644</u>	<u>(973) 773-3647</u>	<u>steve@houndstownusa.com</u>
<u>Gillen, Jung & Lorenzana⁽¹⁾</u>	<u>Maria, Jennifer & Candice</u>	<u>New Jersey Dawgs, Inc.</u>	<u>203 E White Horse Pike</u>	<u>Galloway</u>	<u>NJ</u>	<u>08205</u>	<u>(609) 241-0825</u>	<u>maria @houndstownusa.com</u>

<u>Michael</u>	<u>Phillip</u>	<u>Best Friend Care LLC</u>	<u>550 Piermont Ave.</u>	<u>Hillsdale</u>	<u>NJ</u>	<u>07642</u>	<u>(201) 666-0744</u>	<u>Phillip@houndstownusa.com</u>
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<u>Iyer*</u>	<u>Savi</u>	<u>KK&C Enterprises, LLC</u>	<u>14 Jersey Ave.</u>	<u>Metuchen</u>	<u>NJ</u>	<u>08840</u>	<u>(732) 243-9247</u>	<u>Savi@houndstownusa.com</u>
<u>Enders</u>	<u>Jamie</u>	<u>Enders, INC.</u>	<u>200 E Lake Mead Pkwy Unit 100</u>	<u>Henderson</u>	<u>NV</u>	<u>89015</u>	<u>(702) 367-0082</u>	<u>Jamie@houndstownusa.com</u>
<u>Ballou</u>	<u>Paul</u>	<u>Raven's Dog House, INC.</u>	<u>10415 S. Rainbow Blvd., Suite C-102</u>	<u>Las Vegas</u>	<u>NV</u>	<u>89178</u>	<u>(702) 916-2085</u>	<u>paul.ballou@houndstownusa.com</u>
<u>Bettridge</u>	<u>Brad</u>	<u>HTU Port Jeff, LLC</u>	<u>2 Old Dock Road</u>	<u>Yaphank</u>	<u>NY</u>	<u>11980</u>	<u>(631) 775-0250</u>	<u>brad.bettridge@houndstownusa.com</u>
<u>Wilson</u>	<u>Justine</u>	<u>Round Of Appaws Inc.</u>	<u>57 Jay St</u>	<u>Brooklyn</u>	<u>NY</u>	<u>11201</u>	<u>(917) 909-1842</u>	<u>Justine@houndstownusa.com</u>
<u>Schneider</u>	<u>Mike</u>	<u>Family Paws, LLC</u>	<u>356 Commack Rd.</u>	<u>Deer Park</u>	<u>NY</u>	<u>11729</u>	<u>(631) 522-1322</u>	<u>Mikeschneider@houndstownusa.com</u>
<u>Gillen, Jung & Lorenzana</u>	<u>Maria, Jennifer & Candice</u>	<u>Dog Daze Enterprises, LLC</u>	<u>45 Rome St.</u>	<u>Farmingdale</u>	<u>NY</u>	<u>11735</u>	<u>(631) 465-9170</u>	<u>maria@houndstownusa.com</u>
<u>Tracey</u>	<u>Colleen</u>	<u>Bull Dogs at Mineola, LLC</u>	<u>839 Stewart Ave.</u>	<u>Garden City</u>	<u>NY</u>	<u>11757</u>	<u>(516) 888-9708</u>	<u>colleen@houndstownusa.com</u>
<u>Gillen, Jung & Lorenzana</u>	<u>Maria, Jennifer & Candice</u>	<u>Chief Dog, LLC</u>	<u>794 S. Broadway, Suite C</u>	<u>Hicksville</u>	<u>NY</u>	<u>11801</u>	<u>(516) 935-0005</u>	<u>maria@houndstownusa.com</u>
<u>Duffy</u>	<u>Lauren</u>	<u>Paw Play, Inc.</u>	<u>30a Alabama Ave.</u>	<u>Island Park</u>	<u>NY</u>	<u>11558</u>	<u>(516) 889-7777</u>	<u>lauren@houndstownusa.com</u>



Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Alkire	Steve	EC Hounds, LLC	105 Paw Paek Place Tahlequah Trail Quail Fields	Springboro	NC	27413	(984) 333-5963 (937) 45066787-5867	SteveNCerich.everett@houndstow ownusa.com

Brooks	Chris	FranPath INC	123 S Walnut Cir	Greensboro	NC	27409	(336) 308-8444	Chrisbrooks@houndstow nusa.com
De Oliveira	Marcos	Rubicon Crossing Investments Inc.	117 West 29th St	Charlotte	NC	28206	(704) 870-7096	Marcos@houndstow nusa.com
Weikert	Scott	BNLBUSA Inc.	1611 Castle Hayne Rd.	Wilmington	NC	28404	(910) 800-4686	scott@houndstow nusa.com
Romanelli	Gerald	Romanelli Ventures Inc.	2613 Hayes Rd	Monroe	NC	28110	(704) 218-2100	gerry.romanelli@houndstow nusa.com
Lasker	Jennifer	Mind Your Pees & Poo's, Inc.	222 Capecom Ave	Wake Forest	NC	27587	(984) 237-3757	jenniferlasker@houndstow nusa.com

Burzanko	Roger	CLE Doghouse Corp	1148 Pearl Rd	Brunswick	OH	44212	(330) 460-3052	Roger@houndstow nusa.com
Martin	Brian	Pawsitive Packs, LLC	91 Huber Village Blvd	Westerville	OH	43081	(614) 647-4896	Brian@houndstow nusa.com
Ridenour	Rebecca	Bird Dog Investments, LLC	3050 Woodman Dr	Kettering	OH	45429	(937) 800-4322	rebecca.ridenour@houndstow nusa.com
Peddi	Bhanu	Cebru Enterprises, LLC	4327 Red Bank Rd	Cincinnati	OH	45227	(513) 663-4343	bhanu.peddi@houndstow nusa.com
Beauchamp	Michael	Beauchamp Holdings, LLC	2305 28th SW Street	Allentown	PA	18103	(484) 718-5558	michael.beauchamp@houndstow nusa.com
Dompert	Bill	Synergy Family Holdings, INC.	31 Oak Ave., Suite 425	Chalfont	PA	18914	(267) 817-7364	Bil@houndstow nusa.com
Allbaugh	Joe	Dog Paws of Pittsburgh, INC.	3228 Penn Ave.	Pittsburgh	PA	15201	(412) 232-5085	joe@houndstow nusa.com
Allbaugh	Joe	Furry Paws of Pittsburgh, INC.	150 Rosslyn Rd	Carnegie	PA	15106	(412) 620-6781	joe@houndstow nusa.com
-Kahn	Mitch	KAHNCEPTS, LLC	790 Kenhorst Plaza	Reading	PA	19607	(610) 947-1141	Mitch@Houndstow nusa.com
Hurley	Michael	PURPLE BUSTER, LLC	2800 Saw Mill Run Blvd	Pittsburgh	PA	15227	(412) 436-4202	MichaelHurley@houndstow nusa.com
Boehm	Paul & Wendy	Egg Baby, LLC	451 W Centennial St	Spartanburg	SC	29303	(864) 564-5191	Paul@Houndstow nusa.com
Maynard	Leslie	Addie Paws, LLC	203 W Main St	Gallatin	TN	37066	(615) 899-2275	Leslie.Maynard@houndstow nusa.com
Lowery	John & Kristy	JKL Holdings, LLC	288 Hermitage Ave. #C	Nashville	TN	37210	(865) 851-2766	johnlowery@houndstow nusa.com



Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Laubie_	David & Zena_	DZ Dogs, LLC_	1260 S Lowry St_	Smyrna	TN	37167	(615) 747-2275	david@houndstownusa.com
Rasor_	Crystal_	Rasor's Ruff Ranch, LLC_	1767 Old State Highway 24, Suite 340	Little Elm	TX	75068	(972) 645-1060	Crystal.Rasor@houndstownusa.com
Bhakta_	Twinkle_	Plutos Paws, LLC_	1216 Durham Drive	Houston	TX	77007	(346) 618-0368	Twinkle@houndstownusa.com
Spicciati_	Caitlin_	SpiBiss, LLC_	13215 Judson Road, Suite 101	San Antonio	TX	78233	(210) 812-4806	caitlin.spicciati@houndstownusa.com
Garland_	Jim_	4G Family, INC_	3705 N. Belt Line Road	Sunnyvale	TX	75182	(869) 807-7297	Jim.Garland@houndstownusa.com
Duncan_	Chris_	DUNCAN FAMILY H, INC_	10181 East Crystal Falls Pkwy Suite 101_	Leander	TX	78641	(512) 986-7317	Chris@houndstownusa.com
Henn_	Michael_	EMD INVESTMENT GROUP, LLC_	27327 Robinson Rd_	Oak Ridge North	TX	77385	(936) 279-3660	Michael.Henn@houndstownusa.com
Steinke_	Eric_	Steinke Industries, LLC_	9124 Camp Bowie West Blvd Suite 500_	Fort Worth	TX	76116	(817)986-7317	Eric.Steinke@houndstownusa.com

Franchisees with Unopened Outlets as December 31, 2023:2024:

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Mary_	Hoy_	Finn's Fur & Tails Inc_	14786 Commonwealth Dr_	Athens_	AL	35613	(847) 372-2580_	mary.hoy@houndstownusa.com_
Bragdon	Jennie	F & B Pet Services Inc.	7410 W Blandford Dr	Tucson	AZ	85742	(520) 400-4151	jennie.bragdon@houndstownusa.com
TrevorPons	JohnTiner	HT Arizona LLC Tiner Investment Corporation	7270 E. Teal Way 13018 N. 17th Place	Sun Tan ValleyPhoenix	AZ	85143	(848) 848-0754 5022-7544	trevor.tiner@houndstownusa.com John.Pons@houndstownusa.com
Chris-Pineda	MarybelMenaughton	Puppy Playground Benny's Compound LLC	8386 Wilkerson Ct. 5702 Faust Ave	ArvadaLakewood	CO	80007	(720) 415-3667 0713-715-6880	Chris.Menaughton@houndstownusa.com Marybel.Pineda@houndstownusa.com
GernerLee	DouglasDaniel	Gemba LLC	1457 Lombardi St 1882 Singing Waters Ct	ErieBerthoud	CO	80513	(303) 746-3934 0516-808-227-5047	dan.gerner@houndstownusa.com Douglas.lee@houndstownusa.com
Zande_	Melody_	Barkland, LLC_	28 Lisa Dr_	South Windsor_	CT	06074_	(860) 573-1069_	melody.zande@gmail.com_



Last Name	First Name	Entity Name	Address	City	Stat	Zip Code	Phone	Email
StonerDuffy	RoyFrank	RCS-NJY, Inc. Penelope's Friends INC	4464 Cobble field Cir E32859 WIDGEON ROAD	Ocean View Jackson ville	FL	DE 322241 9970	(402) 440-1912 (443) 834-9015	roy.stonerfrank.duffy@houndstow nusa.com
JaegerMartin	JohnAaron	Colby & JackJTP Pet Services, LLC	10223 Grand1802 Oak CirGrove Drive	Madeira BeachNew Albany	FL	IN 3370847 150	(727) 349- 1164 (812) 697-2693	Aaron.JaegerJohn.Martin@houndst ownusa.com

Hill	Tim	T & J Pampered Pets Inc.	6133 NW 91st Ave	Parkland	FL	33067	(954) 410-4078	Tim.Hill@houndstownusa.com
Rabinowitz	Toni	RABTOWN INC.	9010 S. Lake Dasha Dr	Plantation	FL	33324	(646) 406- 3001	Toni@houndstownusa.com
Chris	Labianco	Startide Rising Inc.	207 Shore Rd.	Winter Springs	FL	32708	(407) 619- 2633	Chris.Labianco@houndstownusa.e om
Rector	Jackie	GHSR & Associates, LLC	1104 S. Daytona Ave	Flagler Beach	FL	32136	(386) 864- 1181	Jackie.Rector@houndstownusa.ee m
Oakley	Don	Five Oaks Family Holdings, LLC	216 NW 39th Ave.	Cape Coral	FL	33993	(740) 236- 0458	don.oakley@houndtownusa.com
Drinnon	Derrick	D. Drinnon Enterprises LLC	1600 E 34th St.	Pensacola	FL	32503	(615) 207- 7136	Derrick.Drinnon@Houndstownusa .com
Brown	Kevin	Ziggy Mates Inc	190 Churchill Dr	Sandy Springs	GA	30350	(404) 825-0716	Kevin.Brown@Houndstownusa.ee m
Spruill	James	Titan Investments GA LLC	1016 Landmark Dr	McDonough	GA	30252	(609) 674- 8847	James.Spruill@houndstownusa.co m
Puett	Tim	Blue Nova Pet Care LLC	6645 Nature View Pl.	Cumming	GA	30040	(770) 363-7390	Tim.Puett@houndstownusa.com
Strozykowski	Jennifer	Mannered Mutts K9 Services Inc	2835 N. Devlin Ave.	Meridian	ID	83646	(208) 573- 1380	Jenny.Strozykowski@houndstow nusa.com
Geudtner	Dave	Canine Holdings LLC	35513 N. Olive St.	Ingleside	IL	60041	(847) 226-1697	dave.geudtner@houndstownusa.ee m
O'Boye	Jim	Royal Dog Travis Corporation	4153 Royal Mews Cir	Naperville	IL	60564	(630) 536- 6037	jim.oboye@houndstownusa.com
CraneBeggs	MatthewShel ley	Woof Gang PupCRANE HOLDINGS LLC	7411 Grand Oaks Dr. 4165 North Meridian St.	Indianapolis Westwood	KY	IN 400144 6208	(502) 885- 0943(317) 679- 1022	shelley.beggsMatthew.crane@hounds townusa.com
Stevens	Dale	LittleDeer, LLC	5112 North Dr	Ellicott City	MD	21042	(240) 508- 2741	dale.stevens@houndstownusa.com
Chappell	Jennifer	The Chappell Collective Inc.	3900 Barnsley Lane	Olney	MD	20832	(301) 717-7080	Jennifer.Chappell@houndstownus a.com



Last Name	First Name	Entity Name	Address	City	Stat	Zip Code	Phone	Email
Conary	Harper Kelly Tony	Harper Business Group Canines, LLC	516 E. Grace 198th St. W	Republic Lakeville	MO	6573855044	(417) 669-4367 (612) 500-1390	mark.harper.Tony.Conary@houndstowonusa.com
Nolte	- Jason -	Love Big Mutts Inc.	14439 Knightsbridge Ln	Olive Branch	MS	38654	(424) 327-3648	Jason.Nolte@houndstowonusa.com
Ballou	Paul	3584 1/2 Handman Ave	354 Shimmering Moon St	Henderson	NV	89015	(702) 338-7884	paul.ballou@houndstowonusa.com
Herman	- Chris -	Doggy Dynasty, LLC	10049 Rams Leap Ave	Las Vegas	NV	89166	(702) 290-3354	chris.herman@houndstowonusa.com
Hannegan	Heather	4 PAWZ, LLC	2809 Poseidon Shore Ave	Henderson	NV	89052	(805) 587-7403	Heather.Hannegan@houndstowonusa.com
Vandvelt	Wang Lourdes Christine	Dogventures, PUPPY PLAYHOUSE LLC	284 Olympia Dr 14 Woodlake Ct	Medford River Edge	NJ	0805507664	(856) 261-7247 (917) 202-3423	Christine.Wang.Lourdes.vandvelt@houndstowonusa.com
Iyer*	Savi	KK&C Enterprises LLC	15 Schanck Dr	Edison	NJ	08820	(732) 243-9247	Savi@houndstowonusa.com
Michael	Phillip	Best Friend Care LLC	277 Columbia Terrace	Paramus	NJ	07652	(551) 265-4766	phillip@houndstowonusa.com
Sciascia	- Angelo -	ANDIE0516, INC.	20 Canterbury Way	Farmingdale	NJ	07727	(646) 309-1113	angelo.sciascia@houndstowonusa.com
Burke	Edward	Cranberry ST Partners Corporation	38 Cranberry St	Brooklyn	NY	11201	(203) 921-7737	edward.burke@houndstowonusa.com
Bettridge	Brad	HTU Port Jeff, LLC	11 Horseshoe Cir	Hauppauge	NY	11788	(631) 766-3549	brad.bettridge@houndstowonusa.com
Schneider	Mike	Smithtown Paws Inc.	24 Bonnie Kay Ct.	West Islip	NY	11782	(646) 852-1619	mike.schneider@houndstowonusa.com
Bennett	- Kristi -	Slobber Slingers LLC	75 Morgan Farm Dr	Lillington	NC	27546	(336) 287-4619	kristi.bennett@houndstowonusa.com
Everett	Erich	EC Hounds, LLC	345 Countryside Dr	Lebanon	OH	45036	(513) 265-2465	erich.everett@houndstowonusa.com
Beauchamp	Michael	Beauchamp Holdings LLC	1052 Monarch Ln	Breinigsville	PA	18031	(787) 397-2665	michael.beauchamp@houndstowonusa.com
Claus	Cora	CCHT Pet Care INC	2668 Martha St	Philadelphia	PA	19125	(785) 556-1376	Cora.Claus@houndstowonusa.com
Maynard	Leslie	Addie Paws LLC	1548 Lauderdale Ln	Bethpage	TN	37022	(615) 613-6922	Leslie.Maynard@houndstowonusa.com
Lowery	John & Kristy	JKL Holdings	2604 Tisdale	Thompson Station	TN	37179	(865) 851-2766	Johnlowery@Houndstowonusa.com



Last Name	First Name	Entity Name	Address	City	Stat	Zip Code	Phone	Email
Izzo	Ken	The Happy Pack, Dog Corporation	8236 Huntsman t.	Powell	TN	37849	(615) 275-8123	Ken.Izzo@houndstownusa.com

Thompkins	Pamela	Bluetick Ventures Inc.	340 Farmers Hollow Rd	Clinton	TN	37716	(423) 851-2636	pamela.tompkins@houndstownusa.com
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Settle	Matt	HT2W, LLC	211 East 2nd St, Apt. 7	New York	TX	10009	(917) 587-8211	matt.settle@houndstownusa.com
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Palacios	William	Palacios Legacy Corporation	2302 Bristol Band Ln	Katy	TX	77450	(832) 674-6999	william.palacios@houndstownusa.com
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Lizarralde	Claudia	Poochie Palace Ventures Inc.	3508 Gillespie Rd	Mckinney	TX	75072	(972) 977-9118	claudia.lizarralde@houndstownusa.com
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Kraemer Arevalo	Jessie Ricardo	JBS Hounds Town Copperhead, LLC	2460 SUNDERLAND LN 24219	San Antonio	TX	78620	(972) 4499-5363	jessie.kraemer@houndstownusa.com Ricardo.Arevalo@Houndstownusa.com
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Walker	Aaron	Walker House of Paws, LLC	605 S. Main St	Hereford	TX	79045	(806) 382-2498	aaron.walker@houndstownusa.com
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Pittman	Melissa	Made Up Mind, Inc.	8709 Wildwest Dr	Forth Worth	TX	76131	(708) 935-4540	melissa.pittman@houndstownusa.com
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Thompson	Jim	Thompson Retail Labs, LLC	2701 Arion Cir	Austin	TX	78730	(954) 299-9242	jim.thompson@houndstownusa.com
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Mailloux	Christina	The Dog Foundry Inc., INC.	502 Dominion Dr	Euless	TX	76039	(817) 454-3003	christina.mailloux@houndstownusa.com
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Razor	Crystal	Razor's Ruff Ranch, LLC	4536 Tolkein Ave.	Celina	TX	75009	(817) 808-3134	Crystal.Razor@houndstownusa.com
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Bhakta	Twinkle	Plutos Paws LLC	14702 S Post Oak	Houston	TX	77045	(281) 704-8284	Twinkle@houndstownusa.com
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Helmbeck	Ron	RD&C Ventures Corp.	18 Tayside Track	Missouri City	TX	77459	(832) 529-8868	Ron.Helmbeck@houndstownusa.com
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Spicciati	Caitlin	SpiBiss LLC	25241 E Ottawa Dr	Sequin	TX	78155	(210) 838-8104	caitlin.spicciati@houndstownusa.com
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Garland	Jim	4G Family, Inc.	384 Behtany Rd	Sunnyvale	TX	75182	(972) 415-1626	Jim.Garland@houndstownusa.com
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Merrill	Joel	Rj Mutt Pups LLC	6127 W Indian Pony Way	Herriman	UT	84096	(435) 294-7244	joel.merrill@houndstownusa.com
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Geddes	Annmarie	For The Dogs LLC	1456 Meadow View Ct.	Farmington	UT	84025	(801) 897-1076	annmarie.geddes@houndstownusa.com
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Parzow	Darren	Deeohgee, LLC	41196 Blue Oak Ct.	Aldie	VA	20105	(202) 276-3548	Darren@Houndstownusa.com
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Vermette	David	Cedar Creek Dt Inc.	4006 Michael Dr	Suffolk	VA	23432	(757) 362-2308	david.vermette@houndstownusa.com
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Chromy	Andrew	Chromy Corporation	4791 W. Bear Claw	Franklin	WI	53132	(414) 651-5911	andrew.chromy@houndstownusa.com
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Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Arcovedo	Yensy	Ganar Investments, LLC	91 C. 10-B	San Francisco de Campeche	Mexico	24010	+52 (981) 124-2638	yensy.arcovedo@houndstownusa.com

Former Franchisees:

The name and last known address of every franchisee who had a Hounds Town USA Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, 2023-2024 to December 31, 2023-2024, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email
Abbott	Randy	-	1610 W Meadow Ave	Visalia	CA	93277	(704) 960- 3949	Randy.Abbott@HoundsTownUSA.com
Hill	Tim	T & J Pampered Pets Inc.	6133 NW 91st Ave	Parkland	FL	33067	(954) 410-4078	Tim.Hill@houndstownusa.com
Campbell*Geudtner	Doug Dave	Wag Life Canine Holdings LLC	35513 N. Olive St. 7038 Se Harbor	Ingleside Stuart	FL	600413 2084	(847) 226-1697(305) 298-2625	dcampbell@campbellgrp.dave.geudtner@houndstownusa.com
WielandThurmond*	JamieCindy	Woof PaekJSWJEW LLC	4602 Chattahoochee Crossing Se 1720 West Chanute Road	PeoriaMarietta	GAIL	616153 0067	(309) 306-7068(678) 446-8259	eindy.thurmond.a@gmail.com jamiew@houndstownusa.com
Suh	John	John & Suh Co LLC	13000 Georgia Ave	Silver Spring	MD	20906	(240) 498-6843	john.suh@houndstownusa.com
MichaelTaylor*	PhillipCraig	Cratinat Pet Best Friend Care Inc. LLC	16316 Fullerton Meadows Dr 550 Piermont Ave.	WildwoodHill sdale	MONJ	6301107 642	(440) 673-8154(201)-666-0741	eraig@franaligenPhillip@houndstownusa.com
WangHalishak*	ChristineBret	PUPPY PLAYHOUSE Mae Rita Inc. LLC	031107 Roxbury Park Dr 284 Olympia Drive	River EdgeBay Village	OHNJ	076614 4140	(917) 202-3423(216) 217-7822	Bret@HoundstownusaChristine.Wang@houndstownusa.com
Ajmeri*	Tejas	N/A	899 Adam	New Hope	PA	18938	(215) 539 0602	tjajmeri@gmail.com
Mansueto*Thompson	Lisa Pamela	Lk Sales And Services Bluetick Ventures Inc.	405 Clinton Aly 340 Farmers Hollow Road	ClintonWest Chester	PATN	377164 9382	(215) 527-1222(423) 851- 2636	pamela.tompkins@houndstownusa.com lmansueto1987@gmail.com
Forte	Tom	FSHB, LLC	3271 Enclave Bay Drive	37415	TN	37415	(615) 815 4467	tom.forte@houndstownusa.com
Kraemer	Jessie	JBS Hounds Town, LLC	2460 Sunderland Ln	Lewisville	TX	75092	(972) 536-3320	jessie.kraemer@houndstownusa.com
Helmbeck	Ron	RD&C Ventures Corp.	18 Tayside Track	Missouri City	TX	77459	(832) 529-8868	Ron.Helmbeck@houndstownusa.com

*Was terminated before opening the business



EXHIBIT E

**STATE ADDENDA
AND AGREEMENT RIDERS**



STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR HOUNDS TOWN USA, LLC

_____ The Washington Addendum applies for Washington franchisees regardless of any other indication or language contained in this Exhibit E or the checklist page titled “Applicable Addenda”.

The following modifications are made to the Hounds Town USA, LLC (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 20__ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means Florida law. When the term “**Supplemental Agreements**” is used, it means “none”.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

CALIFORNIA

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.

_____ THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FDD: AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

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 contains provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Florida. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California. The Franchise Agreement may contain a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.



The Franchise Agreement requires the application of the laws of Florida. 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 contains a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement provides 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 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 may not be enforceable.

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).

California's Franchise Investment Law (Corporations Code section 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.

Our website (www.houndstownusa.com) 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.

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

The earnings claims figures in Item 19 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Hounds Town USA Business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable: (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee; (b) Reliance by a franchisee on any



representations made by the franchisor or its personnel or agents; (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto; (d) Violations of any provision of this division.

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

Fee Deferral

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.

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 DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN 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.



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

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

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit I of the FDD on the page entitled, "State Effective Dates".
2. States which have refused, by order or otherwise, to register these Franchises are:
None
3. States which have revoked or suspended the right to offer the Franchises are:
None
4. 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 years after the act or transaction constituting the violation upon which it is based, the expiration of one 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).

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

Franchise Fee Deferral:

The Illinois Attorney General’s Office has imposed the franchise fee deferral requirement due to our financial condition. Items 5 and 7 of the FDD and Section 5 of the Franchise Agreement are hereby revised to state that payment of the Initial Franchise Fee, shall be deferred until after all of Franchisor’s initial obligations are complete and the Franchise is open for business.

See the last page of this Exhibit E for your required signature.

INDIANA

Item 8 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 years within the 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 Florida. 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 is hereby 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.

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

IOWA

Any provision in the Franchise Agreement or Compliance Questionnaire which 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 Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Hounds Town USA, LLC, 150 E. Robinson St., Unit 2008, Orlando, Florida 32801, or send a fax to Hounds Town USA, LLC at (631) 467-0226 not later than midnight of the third business day after the Effective Date.



I hereby cancel this transaction.

Franchisee: _____

By: _____

Print Name: _____

Its: _____

Date: _____

MARYLAND

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENTS

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 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 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 years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure 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.).

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

Franchise Fee Deferral:

Item 5 of the Franchise Disclosure Document and the Franchise Agreement are hereby amended to state: “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.”



FRANCHISOR:

FRANCHISEE:

HOUNDS TOWN USA, LLC

Entity name (if any)

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

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 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 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.

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) 373-7117

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



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 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. 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 years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.



9. Item 6 of the FDD and Section 6.10 of the Franchise Agreement is hereby amended to limit the Insufficient Funds Fee to \$30 per occurrence pursuant to Minnesota Statute 604.113.

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

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.



D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchise to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer:**”

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum,**” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

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

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

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 14 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.

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

Franchise Fee Deferral:

Items 5 and 7 of the Franchise Disclosure Document and Section 5 of the Franchise Agreement regarding payment of the initial franchise fee are amended to state that the franchise fee will be deferred until all initial obligations owed to the Franchisee by the Franchisor have been fulfilled and the franchisee has commenced doing business pursuant to the Franchise Agreement.

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials _____ Date _____



NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller’s receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Hounds Town USA, LLC, 150 E. Robinson St., Unit 2008, Orlando, Florida 32801, or send a fax to Hounds Town USA, LLC at (631) 467-0226 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

Date: _____

By: _____

Print Name: _____

Its: _____

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.

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



SOUTH DAKOTA

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

VIRGINIA

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 Hounds Town USA, 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.

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

Fee Deferral

Items 5 and 7 of the Franchise Disclosure Document, and the Franchise Agreement are amended to provide: The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement.

WASHINGTON

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT AND THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in



Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement ~~nor related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions which may that~~ supersede the franchise agreement ~~nor related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the areas~~Franchise Disclosure Document, are subject to state law.

Site of termination~~Arbitration, Mediation, and renewal of your franchise.~~

3. **/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights ~~executed by a~~in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights to~~waive compliance with any provision under the Washington Franchise Investment Protection Act or any ~~rules or order~~orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. ~~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., in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).~~
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).



- 10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
- 11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
- 12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
- 13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
- 14. Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any ~~provisions~~ provision contained in the franchise agreement or elsewhere that ~~conflict~~ conflicts with these limitations ~~are~~ is void and unenforceable in Washington.
- 15. Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. ~~As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~
- As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
- 16. Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. -This provision supersedes any other term of any document executed in connection with the franchise.
- 17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).



18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.
19. The “Liquidated Damages” provision in Item 6 of the FDD and Section 17.20 of the Franchise Agreement will be modified for Washington franchisees to remove the \$100,000 minimum liquidated damages and to provide for liquidated damages equal to the expected Royalty Fees for the lesser of two years or the remainder of the Franchise Agreement.
20. The calculation of “Gross Sales” includes the full redemption value of any voucher or coupon sold for use at the business, and fees retained by or paid to third-party sellers of such vouchers or coupons are not excluded from the calculation. If either the redemption value or third-party fee aspects of the definition is found to violate RCW 19.100.180(1), it may not apply to Washington franchisees.
21. The following provision in Section 7.7 of the Franchise Agreement does not apply to Washington franchisees: “Absent the timely provision of notice to Franchisor, Franchisee shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee’s judgment.”
22. Section 10.6 of the Franchise Agreement requiring franchisees to that franchisees to agree to hold harmless and forever discharge the Franchisor from all claims, demands and causes of action that the franchisee may have in connection with authorizing the Franchisor to use the franchisee’s likeness in photographs or video will not apply to Washington franchisees.
23. The franchisee’s obligations to indemnify, defend, reimburse, and hold harmless referenced in Section 12.2 of the Franchise Agreement do not extend to liabilities caused by the franchisor’s or the indemnified parties’ negligence, willful misconduct, strict liability, or fraud. Additionally, Section 12.2 of the Franchise Agreement is revised to state: “Franchisees will not indemnify the franchisor and the indemnified parties for claims, causes of action, lawsuits, demands, proceedings, investigations, and/or hearings related to the franchisor or the indemnified parties’ violation of state or federal franchise laws.”
24. Section 15.3 of the Franchise Agreement requiring franchisees to waive claims, demands, or damages against the Franchisor arising from or related to the transfer of the Marks, assets or the System from the Franchisor to any other party will not apply to Washington franchisees.
25. The last sentence of Section 15.7(g) of the Franchise Agreement is hereby amended to state, “Franchisee authorizes Franchisor to confer with a proposed transferee and furnish it with information concerning the Hounds Town USA Business and the terms and conditions of the proposed transfer, and Franchisor may do so with no liability, except for intentional misstatements made to a transferee or where Franchisor has otherwise acted in bad faith.”
26. Section 17.20 of the Franchise Agreement requiring that the franchisee agree that the liquidated damages provision is a reasonable, good faith pre-estimate of damages does not apply to Washington franchisees.



27. The provision in Section 20.5 of the Franchise Agreement limiting the time in which a franchisee may bring a claim related to the franchise agreement does not apply to claims by Washington franchisees.
28. Section 8.4 of the Franchise Owner Agreement contained as Attachment B in the Franchise Agreement is revised to remove the language of “and not strictly for or against either party.”
29. Section 8.8 of the Franchise Owner Agreement contained as Attachment B in the Franchise Agreement does not apply to Washington franchisees.
30. Section 7 of the Approval of Requested Assignment contained in Exhibit G-5 does not apply in Washington.
31. The Sample Site Location Approval and Release contained in Exhibit G-7 of the FDD is revised to state the following language will not apply to Washington franchisees:
- a. Section 5: “Franchisee further agrees that Franchisor has satisfactorily fulfilled its obligations under the Franchise Agreement in connection with the site selection and evaluation.”
 - b. Section 6: “Accordingly, Franchisee specifically agrees to release Franchisor from any and all liabilities, obligations, claims (including any and all claims relating to Franchisee’s Estimated Initial Investment (ITEM 7) figures outlined in the Hounds Town USA Franchise Disclosure Document provided to Franchisee), to the extent it involves any departure from the basic specifications provided by Franchisor the design, construction and/or build-out of Franchisee’s Facility.”
 - c. Section 7: “In consideration of Franchisor’s site selection assistance, approval of the site location and other services described herein and in the Franchise Agreement, Franchisee does hereby release and forever discharge Franchisor and its respective officers, employees, agents, successors and assigns from any and all claims, causes of action, damages and demands of any type whatsoever which Franchisee now has, or hereafter may have, for or by reason of any advice, assistance, consent or the like relating to site selection, site evaluation, disclosures regarding estimated initial investment or any other matter described herein.”
32. Item 11 of the FDD is revised to state that the Franchisor intends to limit the markup of such products or services to Washington franchisees to no more than 15%.
33. **Fee Deferral.** Item 5 of the Franchise Disclosure Document is amended to state that the State of Washington has imposed a financial condition. The franchisor will defer collection of all initial franchise fees described in Item 5 of the Franchise Disclosure Document until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business. The franchisor will prorate the initial franchise fee under a multi-franchise addendum, such that the franchisee will pay the Franchisor the development fee proportionally upon the opening of each unit franchise.



The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

Signature of Franchisor Representative

Signature of Franchisee Representative

Title of Franchisor Representative

Title of Franchisee Representative

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.

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

(Signatures on following page)



APPLICABLE ADDENDA

_____ If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda _____ The Washington Addendum applies for Washington franchisees regardless of any other indication or language contained in this checklist page titled “Applicable Addenda”. Any preceding addenda (“**Addenda**”) for the specific state(s) applicable to your franchised business shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

_____ Please check the box(es) for the state(s) related to the franchised business:

- | | | | | | |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii | <input type="checkbox"/> | Minnesota | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois | <input type="checkbox"/> | New York | <input type="checkbox"/> | Virginia |
| <input type="checkbox"/> | Iowa | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington |
| <input type="checkbox"/> | Indiana | <input type="checkbox"/> | Ohio | <input type="checkbox"/> | Wisconsin |
| <input type="checkbox"/> | Maryland | | | | |

Dated: _____, 20____

FRANCHISOR:

HOUNDS TOWN USA, LLC

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____





EXHIBIT F

**FRANCHISE BRAND STANDARDS MANUAL
TABLE OF CONTENTS**

Section	Number of Pages
CHAPTER 1: GENERAL INFORMATION	4
CHAPTER 2: THE BRAND	7
CHAPTER 3: THE FRANCHISE RELATIONSHIP	28
CHAPTER 4: BRAND OPERATING STANDARDS	43
CHAPTER 5: STAFFING BEST PRACTICES	14
CHAPTER 6: ANIMAL CARE STANDARDS	28
CHAPTER 7: OPERATIONS BEST PRACTICES	25
CHAPTER 8: CUSTOMER SERVICE & SALES BEST PRACTICES	18
CHAPTER 9: TECH & ADMINISTRATION BEST PRACTICES	17
CHAPTER 10: CRISIS MANAGEMENT	4
<u>TABLE OF CONTENTS/SIGNATURE PAGES</u>	<u>12</u>

Total Number of Pages: ~~188~~
200





TABLE OF CONTENTS

CHAPTER 1: GENERAL INFORMATION 1

1. **The Purpose of This Manual 2**

2. **How to Use This Manual 3**

CHAPTER 2: THE BRAND 5

1. **The Hounds Town USA Story 6**

2. **The Hounds Town USA Mission Statement 7**

3. **The Hounds Town USA Brand Values 8**

4. **The Hounds Town USA Brand Characteristics 10**

5. **The Hounds Town USA Code of Ethics 11**

CHAPTER 3: THE FRANCHISE RELATIONSHIP 12

1. **The Hounds Town USA Franchise Defined 13**

2. **The Franchisee/Franchisor Relationship 14**

2.1. Independent Contractor 14

2.2. Independently Owned and Operated 14

2.3. You Are CEO of This Business 14

2.4. Joint Employment & Vicarious Liability 15

3. **Pricing & Accidental Price Fixing 16**

3.1. Accidental Price Fixing 17

4. **Our Responsibilities 18**

4.1. Pre-opening Obligations 18

4.2. Continuing Obligations 19

4.2.1. Training 20

4.2.1.1. Initial Training 20

4.2.1.2. Grand Opening Training 20

4.2.1.3. Ongoing Training and Support 21

4.3. Optional Assistance 21

Version Number: 1.1
Version Date: December 2023

Page |



5. Your Obligations	23
5.1. Participation in the Business.....	23
5.2. Compliance.....	24
5.2.1. Hounds Town USA Brand Standards.....	24
5.2.2. Compliance with the Law.....	24
5.2.3. PCI DSS Compliance.....	24
5.2.4. Approved Products, Services, & Vendors.....	25
5.3. Payment of Fees and Taxes.....	25
5.3.1. Fees.....	25
5.4. Confidentiality.....	27
5.5. Use of Marks and Proprietary Information.....	27
5.6. Records & Reports.....	28
5.7. Audits & Inspections.....	29
5.8. Advertising & Promotion.....	29
5.8.1. Post Opening Marketing.....	30
5.8.2. Local Marketing.....	30
5.8.3. Web Presence & Social Media.....	30
5.9. Loyalty Rewards & Gift Card Program.....	31
6. Creating Your Hounds Town USA Business	32
6.1. Establishing a Business Entity.....	32
6.2. Allowable Use of the Name.....	32
6.2.1. Sample Business Names.....	33
6.2.2. Governing Documents.....	33
6.3. Tax Identification Numbers.....	33
7. Licensing, Certificates and Permits	35
7.1. Sales Tax Certificates.....	35
8. Insurance Requirements	36
8.1. Certificates of Insurance.....	38
8.2. Failure to Maintain Insurance.....	38
9. Remodeling & Updating	39
CHAPTER 4: BRAND OPERATING STANDARDS	40
1. The Importance of Standards	41
2. Review & Enforcement	42
2.1. Evaluation Standards.....	42
3. Standard Service Components	43
3.1. Daycare.....	44
3.1.1. First Day Free.....	44
3.2. Boarding.....	45
3.3. Spa Services.....	46
3.4. Theme Party and Event Days.....	46
3.5. Vehicle and Signage.....	47
3.6. Retail.....	47



3.7. Ancillary Services.....	47
3.8. Prohibited Services.....	47
3.9. Cancellation Standards.....	48
4. Operations Standards	49
4.1. All-inclusive Pricing.....	49
4.2. Hours of Operations	49
4.2.1. Daycare Hours	50
4.2.2. Spa Services Hours	50
4.2.3. Boarding Hours.....	50
4.2.4. Holiday Hours.....	50
4.2.5. Emergency Closures.....	51
4.3. Daycare and Boarding Capacities	52
4.4. Payments & Transactions	52
5. Safety Standards.....	53
6. Social Media Standards	54
7. Staffing Standards	55
7.1. Management.....	55
7.2. Adequate Staff	55
7.3. Dog Management Level Training Program	55
8. Uniform, Appearance & Behavior Standards	56
8.1. Clothing	56
8.2. Ordering Uniforms	56
8.3. Appearance	56
8.4. Smoking, Vaping & Tobacco Use.....	57
8.5. Greeting.....	57
8.6. Pick Up	58
8.7. Positive Language	58
8.8. Town Ordinances & General Rules.....	59
8.9. General Rules for Customer Service	61
8.10. Spay & Neuter Policies	61
8.11. Dog Medication Standards.....	62
8.12. Vaccination Requirements	62
8.12.1. Vaccination Waivers & Exceptions.....	63
8.13. Temperament Assessment.....	63
8.14. Handing off the Dog.....	64
8.14.1. From the Owner	64
8.14.2. To the Owner.....	64
8.14.2.1. Aged Pet Release	65
8.15. Spa Services.....	65
9. Facilities Standards – Cleanliness & Safety	67
9.1. FF&E Requirements	67
9.2. Exterior	67
9.2.1. Exterior Signs	68
9.3. Cameras.....	68



9.4. Interior Lighting.....	69
9.5. Interior Signs, Graphics & Decor	69
9.6. Front Door	70
9.7. Back Doors & Exits to Outside Play Areas	70
9.8. Hounds Town Boulevard	70
9.9. Lobby & Front Counter	71
9.10. Retail	71
9.11. Trash & Pet Waste Cans	72
9.12. Floors - Hard Surface	72
9.13. Floors - Mats.....	72
9.14. Walls.....	72
9.15. Ceilings.....	73
9.16. Windows.....	73
9.17. Restrooms.....	73
9.18. Playrooms	74
9.19. Play Equipment	74
9.20. Spa Room	75
9.21. Leash Rooms.....	75
9.22. Townhomes, Luxury Suites, & Double Suites.....	75
9.23. Bowls.....	76
9.24. Holiday Décor	76
9.25. Expansion or Upgrades to Facility	76
10. Other Standards.....	77
10.1. Dog First Aid Requirement.....	77
10.2. Temperatures	77
10.3. Food Consumption	78
10.4. Requests for Franchise Information	78
10.5. Sensitive Subjects.....	78
11. Facilities Maintenance Standards.....	79
11.1.1. HVAC	79
11.1.2. Interior.....	79
11.1.3. MSDS Sheets	80
12. Variances.....	81
12.1. What is a Variance?	81
12.2. Requesting a Variance.....	81
12.3. Requesting New Products & Items	81
CHAPTER 5: STAFFING BEST PRACTICES	83
1. Overview and Disclaimer	84
2. Laws & Requirements	85
3. Job Descriptions.....	86
3.1. Elements of a Job Description	86
4. Recommended Positions and Responsibilities	87



4.1. Operations Manager.....	87
4.2. Facility Coordinator/Assistant Manager	88
4.3. Shift Leader.....	88
4.4. K9 Attendant- Promoted	89
4.5. K9 Attendant.....	90
5. Suggested Employee Traits	91
6. Hiring Resources & Tools.....	93
6.1. Recruitment Best Practices	94
6.2. Training & Onboarding Best Practices	94
6.2.1. Safety Training.....	94
6.2.2. Maintaining Staff	94
7. Confidentiality Agreements.....	96
CHAPTER 6: ANIMAL CARE STANDARDS.....	97
1. Overview	98
2. Dog – Human Interaction Challenges	99
2.1. Knowing Your Role	99
2.2. Anthropomorphism.....	99
2.3. Anecdotal Information.....	99
2.4. Human Projection and Guilt.....	100
2.5. Understanding the Dog Brain	100
2.5.1. The Dog Three-Brained Theory	100
2.5.2. The Dog's Evolution	101
2.5.3. How Dogs Sense the World	101
2.5.4. Understanding Space.....	102
2.5.5. Becoming Bilingual.....	102
2.6. Understanding Dogs' Triggers	103
3. Prohibited Dog Management Techniques	104
4. Hounds Town USA Safety & Care Standards	105
4.1. Human to Dog Ratio	105
4.2. Care Standard Principles	105
4.3. Humane Dog Management Standards	106
4.3.1. Dog Fights.....	106
4.4. Use Standards of Approved Equipment.....	107
4.4.1. Leads	107
4.4.1.1. Using the Lead Properly.....	107
4.5. Grouping Standards	108
4.5.1. Curating a Pack	108
4.5.2. Introducing a Dog to the Pack.....	109
4.5.3. Pack Sizes	109
4.5.4. Toys, Bedding, & Food	109
4.5.5. Approved Equipment.....	109



5. Temperament Evaluation Standards..... 111
5.1. Purpose 111
5.2. Equipment..... 111
5.2.1. Lead 111
5.2.2. Canine Hitch..... 112
5.2.3. Lobby Bench 112
5.3. Standard Components 112
5.4. Introducing Dogs on a Leash 112
5.4.1. What to Look For 113
5.5. When to Fail a Dog 113

6. Animal Care Best Practices..... 115
6.1. A Good Pack Leader 115
6.1.1. Managing Disabled Dogs..... 115
6.1.2. Managing Large, Powerful Dogs..... 116
6.1.3. When to Remove a Dog from the Pack..... 117
6.1.4. Moving In & Out of Playrooms..... 117
6.1.5. Managing an Overstimulated Dog 118
6.1.6. Barrier Aggression..... 118
6.1.7. Managing a Difficult or Aggressive Dog 119
6.1.8. Managing a Dog Fight 119
6.1.8.1. Triggers 120
6.1.8.2. In a Playroom..... 120
6.1.8.3. The Wheelbarrow Method 121
6.2. After an Incident 121
6.3. Injuries & Illnesses 122
6.3.1. CPR & First Aid 123
6.3.2. Epileptic dogs..... 123

CHAPTER 7: OPERATIONS BEST PRACTICES 124
1. What are Best Practices? 125
2. Check In Best Practices 126
3. Check Out Best Practices 127
4. Spa Services Check-In Best Practices 128
5. Reservations Best Practices 129
6. Vaccination Verification Best Practices 130
7. Managing Belongings Best Practices 131
8. Suggested Procedures & Checklists 132
8.1. General Opening Procedures..... 132
8.2. General Morning Procedures..... 132
8.3. General Afternoon Operations..... 134
8.4. General Closing Tasks..... 135



8.5. All Day Tasks	135
8.6. Using the Group List	135
9. Spa Services Best Practices	137
10. Feeding Best Practices	138
11. Let Outs Best Practices	139
12. Theme Party & Event Best Practices	141
13. Recommending Vendors Best Practices	143
14. Suggested Paperwork	144
14.1. The Blacklist	144
15. Form Fill Submittal Best Practices	145
16. Retail Management Best Practices	146
16.1. Inventory Management	146
16.2. Ordering Products	146
CHAPTER 8: CUSTOMER SERVICE & SALES BEST PRACTICES	148
1. Overview	149
2. Creating Trusted Relationships with Customers	150
2.1. Greeting the Customer in the Lobby	150
2.2. Educating the Customer	151
2.3. Presenting the Cost	151
2.4. Welcome Email	152
3. Sales	153
3.1. Philosophy	153
3.2. The Importance of Leads	154
3.3. Sales Tools & Aids	154
3.4. Sales Process Best Practices	155
3.4.1. The Free Day, 3-Free Days, Free Week, & Conversions	156
3.4.2. Answering ALL Calls & Protocols	158
3.4.2.1. Turn Around Time	159
3.4.2.2. Common Call Types	159
3.4.2.3. Answering Form Fills	159
3.5. Overcoming Objections	159
3.6. Conversion Rates	160
3.7. Turn Around Time Expectations	160
4. Social Media Comments & Inquiries	162
5. Sharing Customers	163



6. Managing Customer Complaints.....164

CHAPTER 9: TECH & ADMINISTRATION BEST PRACTICES..... 166

1. Introduction167

2. General Accounting.....168
2.1. Required Chart of Accounts168
2.2. Sales Tax168
2.3. Regular Auditing168

3. Key Performance Indicators169
3.1. Average Monthly "Dog Per Day" Count169
3.2. Average Dogs Per Day Cashflow Positive.....169
3.3. Dog Per Day Cash Flow Positive Count169
3.4. KPI Reports170

4. Know Your Numbers.....171
4.1. Average Monthly Operating Expenses.....171
4.2. (Projected) Cash Flow Positive Month.....171
4.3. (Projected) Break Even/Payback Period.....171
4.4. (Projected) Profit Margin & Dogs Per Day171

5. Labor Costs.....173
5.1. Labor Yield173
5.2. Strategies for Managing Labor174
5.2.1. Scheduling Best Practices.....174
5.2.1.1. Forecasting175
5.2.1.2. Roles and Responsibilities175

6. Business Planning.....176
6.1. Maintaining a Business Plan176
6.2. Using Reports as a Guide.....176

7. Tech Solutions & Requirements177
7.1. MyTime177
7.1.1. Additional Features177
7.1.2. Tech Support178
7.1.3. Marketing178

Inventory Management179

8. Cash Control Best Practices180
8.1. POS Control180
8.2. Safe Audits & Daily Safe Counts.....181
8.3. Cash Handling.....181

9. Facilities Management.....182
9.1. Service Contracts.....182
9.2. Service Contractors182



CHAPTER 10: CRISIS MANAGEMENT..... 183

1. Overview184

2. Crisis Management185

 2.1. Crisis Plan 185

 2.2. Talking to the Media..... 185

 2.3. Triggers Checklist 186

 2.4. Dealing with a Crisis 187



EXHIBIT G

CONTRACTS FOR USE WITH THE HOUNDS TOWN USA FRANCHISE

The following contracts contained in Exhibit G are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Hounds Town USA Business. The following are the forms of contracts that Hounds Town USA, 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 G-1

HOUNDS TOWN USA FRANCHISE

SAMPLE GENERAL RELEASE AGREEMENT

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (“Release”) is made as of _____, 20__ by _____, a(n) _____ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Hounds Town USA, LLC, a Florida 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 Hounds Town USA 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/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release), and Franchisor has consented to such (transfer/successor franchise agreement/amendment/termination/other reason); and

WHEREAS, as a condition to Franchisor’s consent to (transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent, 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. Each individual executing this Release on behalf of Franchisee 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 the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third-party claim. Releasor represents and warrants to the Released Parties, and agrees, that it may later learn of new



or different facts, but that still, it is Releasor's intention to fully, finally, and forever release all of the claims that are released above. This includes the Releasor's waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor").

3. Nondisparagement. 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. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. 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 State of Florida.

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.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.



i. This Release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, and the rules adopted thereunder in accordance with RCW 19.100.220.

(Signatures on following page)



IN WITNESS WHEREOF, Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

By Sign: _____

Printed Name: _____

Title: _____

FRANCHISEE'S OWNERS:

Date _____

Signature

Typed or Printed Name

Signature

Typed or Printed Name

Rev. 092122060524



EXHIBIT G-2

HOUNDS TOWN USA FRANCHISE

SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Hounds Town USA, LLC, a Florida limited liability company, and its successors and assigns (“us,” “we,” or “our”), 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: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Hounds Town USA business operating pursuant to a franchise agreement with us.

“*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 Hounds Town USA business or the solicitation or offer of a Hounds Town USA franchise, whether now in existence or created in the future.

“*Franchisee*” means the Hounds Town USA franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Hounds Town USA business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Hounds Town USA business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Hounds Town USA business, including “HOUNDS TOWN USA,” and any other trademarks, service marks, or trade names that we designate for use by a Hounds Town USA business. The term “Marks” also includes any distinctive trade dress used to identify a Hounds Town USA 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 or attempting to induce 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-year period after you cease to be a manager or officer of Franchisee’s Hounds Town USA 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-year period after you cease to be a manager or officer of Franchisee’s Hounds Town USA business.

“*Restricted Territory*” means the geographic area within: (i) a 25-mile radius from Franchisee’s Hounds Town USA business (and including the premises of the approved location of Franchisee); and (ii) a 25-mile radius from all other Hounds Town USA 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 12.5-mile radius from Franchisee’s Hounds Town USA business (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of a Hounds Town USA business, including Know-how, proprietary programs and products, Manual, and operating system.

2. Background. You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire 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. Know-How and Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Hounds Town USA 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 or officer of Franchisee’s Hounds Town USA business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

4. Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Hounds Town USA business by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with us during the *Restricted Period* by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the *Restricted Territory*. If you engage in any Prohibited Activities during the *Restricted Period*, then you agree that your *Restricted Period* will be extended by the period of time during which you were engaging in the Prohibited Activity.

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, grandparent 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. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

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 Hounds Town USA 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, our owners or our affiliates, 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 Florida, 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.

(Signature on following page)



EXECUTED on the date stated below.

Date _____

Signature _____

Typed or Printed Name _____

Rev. 120619



EXHIBIT G-3

HOUNDS TOWN USA FRANCHISE

SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Hounds Town USA, LLC, a Florida 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(s) have secured common law or registered copyright protection and that we allow Hounds Town USA franchisees to use, sell, or display in connection with the marketing and/or operation of a Hounds Town USA Business, whether now in existence or created in the future.

“*Franchisee*” means the Hounds Town USA franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*Hounds Town USA Business*” means a dog care business that offers daycare services, dog boarding services, grooming, and assorted other services and products and other related products and services using our Intellectual Property.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Hounds Town USA Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Hounds Town USA Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Hounds Town USA Business, including “HOUNDS TOWN USA” and any other trademarks, service marks, or trade names that we designate for use by a Hounds Town USA Business. The term “Marks” also includes any distinctive trade dress used to identify a Hounds Town USA Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a Hounds Town USA Business, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

2. Background. You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. 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 use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.



3. Know-How and Intellectual Property: Nondisclosure and Ownership. You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the Hounds Town USA Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (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 Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier 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.

The Intellectual Property is and shall continue to be the sole property of Hounds Town USA, LLC. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

4. Immediate Family Members. You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property 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 Intellectual Property 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 Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property 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. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

6. Breach. You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Hounds Town USA 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. Although this Agreement is entered into in favor of Hounds Town USA, LLC, you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.



b. 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.

c. This Agreement will be governed by, construed, and enforced under the laws of Florida, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. 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.

EXECUTED on the date stated below.

Date _____

Signature

Typed or Printed Name

Rev. 032916



EXHIBIT G-4

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee hereby authorizes Hounds Town USA, 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: _____ Date: _____
Name: _____
Its: _____

Federal Tax ID Number: _____

Rev. 032916

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.



EXHIBIT G-5

HOUNDS TOWN USA FRANCHISE

SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment (“**Agreement**”) is entered into this ____ day of _____, 20____, between Hounds Town USA, LLC (“**Franchisor**”), a Florida limited liability company, _____ (“**Former Franchisee**”), the undersigned owners of Former Franchisee (“**Owners**”) and _____, a [State] [corporation/limited liability company] (“**New Franchisee**”).

RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated _____, 20____ (“**Former Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a Hounds Town USA 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, including that New Franchisee sign Franchisor’s current form of franchise agreement together with all exhibits and attachments thereto (“**New Franchise Agreement**”), contemporaneously herewith.

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. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. 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 Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee’s rights to operate the Franchised Business are terminated and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New



Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Hounds Town USA franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. 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 approving the Requested Assignment and any required actions regarding New Franchisee's signing of the 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 Former Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New 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.

9. 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.

10. 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 Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. 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.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida.

(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.

FRANCHISOR:

HOUNDS TOWN USA, LLC

By: _____

Printed Name: _____

Title: _____

FORMER FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

NEW FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

Rev. 031821



EXHIBIT G-6

HOUNDS TOWN USA FRANCHISE

REQUIRED FRANCHISOR LEASE ADDENDUM

RIDER AND SPECIAL STIPULATIONS

TO LEASE AGREEMENT DATED _____
BY AND BETWEEN

[INSERT LANDLORD], a Delaware limited liability company, AS "LANDLORD"
AND

[FRANCHISEE NAME], AS "TENANT" FOR THE DEMISED PREMISES ("PREMISES")
DESCRIBED THEREIN

This Rider and Special Provisions (the "**Rider**") and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "**Lease**"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Consent to Collateral Assignment to Franchisor; Disclaimer. Landlord acknowledges that Tenant intends to operate a Hounds Town unit in the Premises, and that Tenant's rights to operate a Hounds Town unit and to use the trade and service marks owned or controlled by Franchisor are solely pursuant to a franchise agreement dated _____, 202_ (the "**Franchise Agreement**") between Tenant and Hounds Town USA, LLC (the "**Franchisor**"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor) succeeding to Tenant's interest in the Lease by mutual agreement of Franchisor and Tenant, or as a result of Franchisor's exercise of rights remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement, but neither Tenant nor any other franchisee shall be released of any liability under the Lease unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights and other rights stated to be personal to Tenant shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.
2. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have five (5) additional days to the



established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than five (5) days after Franchisor's receipt of such notice. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

Hounds Town USA, LLC
603 _____ 150 E Robinson St., Unit 2008
_____ Orlando, FL 32801
S. Public Road, #75
_____ Lafayette, CO 80026
Attn: Real Estate Department

3. Assignment Rights of Franchisor and Affiliates. Notwithstanding anything to the contrary contained in the Lease or this Rider, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the “Tenant” entity under the Lease, whether pursuant to the terms of Section 1 of this Rider or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor’s (or any entity owned or controlled by, or under common control or ownership with, Franchisor’s) becoming “Tenant”: (i) the transfer of equity interests among existing holders of equity interests in Tenant or any direct or indirect parent thereof, to or among family members, or to trusts for the benefit of any of such parties, (ii) the transfer of equity interests in Tenant or any direct or indirect parent thereof in connection with a public offering of equity interests, (iii) any transfer of equity interests in Tenant or any direct or indirect parent thereof, if Tenant or any direct or indirect parent of Tenant is a public company, (iv) any direct or indirect transfers, including any sale, of equity interests in Tenant or any affiliate thereof, or (v) any change in the members of the board of managers, directors, management or organization of Tenant or any affiliate thereof, shall not be deemed an assignment, subletting, change of control or other transfer of Tenant’s interest in and to this Lease.
4. Radius and Relocation Clauses Ineffective. Notwithstanding anything as set forth in the Lease to the contrary or in conflict, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the “Tenant” entity under the Lease, whether pursuant to the terms of Section 1 of this Rider or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor’s (or any entity owned or controlled by, or under common control or ownership with, Franchisor’s) becoming “Tenant”: (i) all “radius” restrictions or other limitations contained within the Lease limiting the operation of other locations/stores/units within a certain geographic area shall be of no further force or effect; and (ii) all rights of Landlord to directly or indirectly relocate the Premises shall be of no further force or effect.
5. Franchisor’s Right to Enter. Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant’s business, on Tenant’s behalf, under certain circumstances (to-wit: Tenant’s abandonment, Tenant’s failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the Hounds Town unit). Landlord agrees that Franchisor or its appointee may enter upon the Premises for purposes of assuming the management and operation of the Hounds Town unit as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant. Further, for a period of thirty (30) days after the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises for the purpose of removing all signs and other material bearing the Hounds Town trademarks or other commercial symbols of Franchisor. Franchisor shall repair any damage to the Premise caused by Franchisor’s removal of such signs and other materials.



6. Third Party Beneficiary. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.
7. Amendments. Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Franchisor shall be deemed to have consented to any such request for consent if Franchisor does not expressly withhold its consent after twenty (20) days. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.
8. Default Under Franchise Agreement. Any default under the Lease which is not cured by Tenant within any applicable cure period also constitutes grounds for termination of the Franchise Agreement.
9. Remaining Provisions Unaffected. Those parts of the Lease that are not expressly modified by this Rider remain in full force and effect.
10. Counterparts. This Rider may be executed in one or more counterparts, each of which shall cumulatively constitute an original. PDF or other electronic signatures of this Rider shall constitute originals of the same.

(Signatures on following page)



AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD:

TENANT:

Address: _____

Address: _____

Phone: _____

Phone: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____



EXHIBIT G-7

HOUNDS TOWN USA FRANCHISE

SAMPLE SITE LOCATION APPROVAL AND RELEASE BY FRANCHISEE

Franchisee: _____

Location for Facility (as set forth in Attachment A-1 to the Franchise Agreement):

The undersigned Franchisee has selected a site location for the Hounds Town USA Business. The site selected does not meet Franchisor's standards for a Hounds Town USA Business in that: _____ [describe changes/deficiencies from Hounds Town standards]. Notwithstanding the foregoing, Franchisee is requesting approval of Franchisor for the site location and Franchisor will approve the site as a Hounds Town USA Business upon the following terms and conditions:

The undersigned Franchisee further acknowledges and agrees as follows:

1. Franchisor's approval of such site location for the Hounds Town USA Business is not a result of any sales representations, estimates or predictions made by Franchisor representatives.

2. Franchisor's approval of the site location is not any guarantee, representation or warranty as to the success or results Franchisee will experience at the site.

3. Real estate site selection and evaluation is an art, not a science, and many variables affect and determine the success or failure of a given site. Although Franchisor has provided site selection guidelines and site selection assistance in determining an acceptable location for Franchisee's Hounds Town USA Business, such assistance is not a guarantee, representation or warranty as to the success or results Franchisee will experience at the site. Franchisee has independently obtained, or had the opportunity to independently obtain legal, financial and other expert advice in the selection process for the above site.

4. Franchisee specifically acknowledges that it wishes to proceed with the site notwithstanding the fact that the site does not meet Franchisor's standards for a Hounds Town USA Business as stated above. Franchisee has not received any oral or written information or representations related to the potential success, sales potential, or economic viability of this location or any related locations or markets from Franchisor or any of its representatives. Franchisee has submitted this location for approval by Franchisor based on its personal business judgment and not in reliance upon any representations by Franchisor or its representatives. Franchisee acknowledges that it is solely responsible for locating a site for the Hounds Town USA Business and negotiating a lease for the property (if required).

5. Franchisee hereby assumes all risk of business success or failure of the site location for the Hounds Town USA Business and that there is additional risk inherent in selecting a site that does not meet Franchisor's standards and assumes all risk of business success or failure including, but not limited to any additional costs associated with the site. Franchisee further agrees that Franchisor has satisfactorily fulfilled its obligations under the Franchise Agreement in connection with the site selection and evaluation.



6. Franchisee acknowledges that it is solely responsible for implementing the construction, build-out, interior design, layout, floor plan, signs, designs, color, and décor of a Hounds Town USA Business. Franchisor has provided basic specifications for the design and layout of Franchisee's Hounds Town USA Business. Should Franchisee deviate from the basic specifications provided by Franchisor, Franchisee shall be responsible for any and all consequences of its decision, including any delay or increased costs that result to the completion of the construction and/or build-out of Franchisee's Facility. Franchisee further acknowledges and understands that any departure from Franchisor's basic specifications may result in a material increase in Franchisee's Estimated Initial Investment (ITEM 7) outlined in the Hounds Town USA Franchise Disclosure Document provided to Franchisee. Accordingly, Franchisee specifically agrees to release Franchisor from any and all liabilities, obligations, claims (including any and all claims relating to Franchisee's Estimated Initial Investment (ITEM 7) figures outlined in the Hounds Town USA Franchise Disclosure Document provided to Franchisee), to the extent it involves any departure from the basic specifications provided by Franchisor the design, construction and/or build-out of Franchisee's Facility.

7. In consideration of Franchisor's site selection assistance, approval of the site location and other services described herein and in the Franchise Agreement, Franchisee does hereby release and forever discharge Franchisor and its respective officers, employees, agents, successors and assigns from any and all claims, causes of action, damages and demands of any type whatsoever which Franchisee now has, or hereafter may have, for or by reason of any advice, assistance, consent or the like relating to site selection, site evaluation, disclosures regarding estimated initial investment or any other matter described herein.

OWNERS:

By: _____
_____, individually

By: _____
_____, individually

FRANCHISEE:

a(n) _____

By: _____

Name: _____

Title: _____

Date: _____





EXHIBIT G-8

HOUNDS TOWN USA FRANCHISE

MULTI-FRANCHISE ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM (the “Addendum”) is entered into and made effective as of the date set forth on the signature page hereof, by and between Hounds Town USA, LLC (“Franchisor”) and the franchisee named on the signature page of this Addendum (“Franchisee”). This Addendum relates to that certain Hounds Town USA franchise agreement dated _____, 20__ (“Franchise Agreement”) and supplements the terms of the Franchise Agreement in relation to the opening of additional Hounds Town USA franchises. All capitalized terms not otherwise defined in this Addendum shall have the meaning set forth in the Franchise Agreement. To the extent this Addendum conflicts with the terms of the Franchise Agreement, the terms of this Addendum shall control.

1. Initial Franchise Fee. Franchisee has paid the Initial Franchise Fee listed in Attachment A to the Franchise Agreement. The Initial Franchise Fee is fully earned immediately upon receipt and non-refundable, regardless of whether Franchisee opens any additional Hounds Town USA franchises.

2. Type of Franchise. Franchisee has purchased and this Addendum is for: (check one)

_____ a Multi-2 Franchise which allows Franchisee to open one Additional Franchise at a later date.

_____ a Multi-3 Franchise which allows Franchisee to open up to two Additional Franchises at a later date.

3. Additional Franchise Agreement. Franchisee shall exercise the rights under this Addendum only by entering into a separate Hounds Town USA Franchise Agreement with Franchisor for [the/each] Additional Franchise prior to signing a lease. Franchisee acknowledges that the then-current form of Hounds Town USA franchise agreement may differ from the Hounds Town USA Franchise Agreement that is signed in conjunction with this Addendum. Franchisee will not be required to pay a separate Initial Franchise Fee for the Additional Franchise[s] under this Addendum. The Royalty Fee payable by Franchisee in the initial franchise agreement for such Additional Franchise[s] shall not exceed six percent (6%) of Gross Sales under this Addendum.

4. Unprotected Search Area. Franchisee acknowledges and agrees that this Addendum does not confer any territorial rights upon Franchisee. A general description of the area where Franchisee intends to search for approved locations for the Additional Franchise[s] is below. This General Description does not confer any territory rights to Franchisee. Franchisee may not search for a site for an Additional Franchise outside of the General Description without Franchisor’s prior approval, which Franchisor may withhold in its sole discretion. Franchisee acknowledges that the general description is non-exclusive meaning that Franchisor may sell or open other franchised locations in the area in the General Description. The non-exclusive search area shall consist of the following map and description:

[insert map and zip codes]



*In the event of any inconsistency between the zip codes and the map set forth above, the zip codes shall be used.

5. Development Schedule. The Additional Franchise[s] granted under this Addendum must be opened in accordance with the development schedule set forth below (the “Development Schedule”). To comply with the Development Schedule, each Hounds Town USA franchise contemplated under this Addendum must be completed and opened for business within the unprotected search area on or before the Development Deadline set forth herein:

Franchise	Development Deadline
Initial Franchise	As set forth in the Franchise Agreement
First Additional Franchise	18 months from opening of Initial Franchise
[Second Additional Franchise]	[18 months from opening of First Additional Franchise]
[Third Additional Franchise]	[18 months from opening of Second Additional Franchise]

Upon Franchisor’s approval of a site for Additional Franchise, the parties agree that Franchisor shall provide Franchisee with a protected Territory specific to that Additional Franchise in the franchise agreement that is signed for such Additional Franchise. This is intended so that another person or entity may establish a Hounds Town USA Business within the unprotected search area during the course of the Development Schedule. Franchisee understands that time is of the essence with respect to the Development Schedule. If Franchisee fails to meet the Development Deadline for any of the franchises described therein (“Development Default”), then this Addendum shall immediately terminate and Franchisee shall have no further rights under this Addendum to develop any Additional Franchises and all fees paid to Franchisor shall be non-refundable.

6. Extension. If Franchisor grants an extension to the Development Schedule, which it may grant or reject in its sole and absolute discretion, Franchisee shall pay Franchisor \$1,000 and the Development Schedule shall be amended for a period not to exceed 6 months. Franchisor and Franchisee agree that the Development Schedule may not be modified except for upon written approval of Franchisor.

7. Limited Rights. This Addendum does not grant Franchisee the right to franchise, license, subfranchise, or sublicense others to operate Hounds Town USA Businesses. Only Franchisee (and/or Franchisee-affiliated entities Franchisor approves) may develop, open and operate Additional Franchises pursuant to this Addendum and Hounds Town USA franchise agreements. This Addendum only grants Franchisee the right to enter into Hounds Town USA franchise agreements to open Additional Franchises subject to the terms of the franchise agreement for such Additional Franchises. Franchisee is not granted any territorial rights or other rights except those granted under the franchise agreement pursuant to the Hounds Town USA franchise agreements for the Additional Franchises. Except for the Initial Franchise Fee, Franchisee shall be liable for all costs and expenses incurred in opening the Additional Franchises.

8. Term. This Addendum and Franchisee’s right to open Additional Franchises shall terminate as of the date of termination or expiration of the Franchise Agreement.



(Signature Page Follows)



IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Addendum on the day and year first written above.

FRANCHISOR:

HOUNDS TOWN USA, LLC,
a Florida limited liability company

By: _____

Printed Name: _____

Title: _____

FRANCHISEE:

_____,
a(n) _____

By: _____

Printed Name: _____

Title: _____



EXHIBIT H

FRANCHISE DISCLOSURE QUESTIONNAIRE

If you are a Washington franchisee, do not complete and do not sign this Questionnaire.

Do not sign this Questionnaire if you are a resident of Maryland or the franchise is to be operated in Maryland.

(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)

As you know, Hounds Town USA, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Hounds Town USA franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

~~**Do not sign this Questionnaire if you are a resident of Maryland or the franchise is to be operated in Maryland.**~~

1. Yes__ No__ Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided?

2. Yes__ No__ Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?

3. Yes__ No__ Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

4. Yes__ No__ Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?

5. Yes__ No__ Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?

6. Yes__ No__ Have you had the opportunity to discuss the benefits and risks of developing and operating a Hounds Town USA Franchise with an existing Hounds Town USA franchisee?

7. Yes__ No__ Do you understand the risks of developing and operating a Hounds Town USA Franchise?



8. Yes__ No__ Do you understand the success or failure of your Hounds Town USA Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors (subject to state law)?
9. Yes__ No__ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Florida, if not resolved informally or by mediation (subject to state law)?
10. Yes__ No__ Do you understand that you must satisfactorily complete the initial training program before we will allow your Hounds Town USA Franchise to open or consent to a transfer of the Hounds Town USA Franchise to you?
11. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Hounds Town USA Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes__ No__ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Hounds Town USA Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes__ No__ Do you understand that the Franchise Agreement, including each attachment or exhibit to the Franchise Agreement, contains the entire agreement between us and you concerning the Hounds Town USA Franchise?
15. Yes__ No__ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.



Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Date _____

Date _____

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

Rev. 071823



EXHIBIT I
STATE EFFECTIVE DATES



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:

State	Effective Date
California	Pending
Illinois	April 22, 2024 Pending
Indiana	May 2, 2024 Pending
Maryland	May 13, 2024 Pending
Michigan	June 7, 2024 Pending
Minnesota	June 6, 2024 Pending
New York	Pending
North Dakota	May 24, 2024 Pending
Rhode Island	May 13, 2024 Pending
South Dakota	April 22, 2024 Pending
Virginia	Pending
Washington	Pending
Wisconsin	April 22, 2024 Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



EXHIBIT J

RECEIPT



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 Hounds Town USA, 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 law, if applicable, Hounds Town USA, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Hounds Town USA, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Hounds Town USA, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Jackie Bondanza; 150 E. Robinson St., Unit 2008, Orlando, Florida 32801; 631-873-9486
Rob Taylor; 950 Flanagan; 603 S. Cherry St. #850; Denver Public Road, #75, Lafayette, CO 80246 80026; 720-295-2744 339-0742
Ashly Loza; 1224 Glade Arch Lane, Huntersville, NC 28078; 704-248-8087
Caleb Clayton; 101 S. Tryon St., Suite 2700, Charlotte, NC 28280; 785-766-2626
Kyle Christie; 950 S. Cherry St. #850; Denver, CO 80246; 720-295-2744 Melissa Altmix; 603 S. Public Road, #75, Lafayette, CO 80026; 618-889-8402

Issuance Date: April 20, 2024 30, 2025

I received a disclosure document issued April 20, 2024 30, 2025, which included the following exhibits:

- Exhibit A List of State Administrators/Agent for Service of Process
- Exhibit B Financial Statements
- Exhibit C Franchise Agreement
- Exhibit D List of Current and Former Franchisees
- Exhibit E State Addenda and Agreement Riders
- Exhibit F Franchise Brand Standards Manual Table of Contents
- Exhibit G Contracts for use with the Hounds Town USA Franchise
- Exhibit H Franchise Disclosure Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipt

Date

Signature

Printed Name

Date

Signature

Printed Name

Rev. 012417



PLEASE RETAIN THIS COPY FOR YOUR RECORDS.



**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 Hounds Town USA, 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 law, if applicable, Hounds Town USA, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Hounds Town USA, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Hounds Town USA, 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 A.

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Ashly Loza; 1224 Glade Arch Lane, Huntersville, NC 28078; 704-248-8087
Caleb Clayton; 101 S. Tryon St., Suite 2700, Charlotte, NC 28280; 785-766-2626
Kyle Christie; 950 S. Cherry St. #850; Denver, CO 80246; 720-295-2744 Melissa Altmix; 603 S. Public Road, #75, Lafayette, CO 80026; 618-889-8402

Issuance Date: April 20, 2024 30, 2025

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- Exhibit G Contracts for use with the Hounds Town USA Franchise
- Exhibit H Franchise Disclosure Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipt

Date	Signature	Printed Name



Date

Signature

Printed Name

Rev. 012417

**Please sign this copy of the receipt, date your signature, and return it to Hounds Town USA, LLC,
603150 E. Robinson St., Unit 2008, Orlando, Florida 32801. S. Public Road, #75, Lafayette, CO 80026.**

