

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 Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Limited–Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **General 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.
- 3.4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

Claimants filed an Amended Statement of Claim on January 21, 2026, alleging breach of contract, breach of implied duty of good faith and fair dealing, fraud in the inducement, common-law fraud, negligent misrepresentation or in the alternate rescission/restitution. The Respondents deny the allegations and have asserted counterclaims alleging that the Claimant breached the joint venture agreement by failing to enter into franchise agreements, and failing to operate as a franchise and pay advertising fees, royalties, training fees, and other required fees, along with failure to comply with operational requirements, unauthorized use of registered trademarks, false advertising, and failure to pay for certain support services. The Claimant seeks approximately \$1,945,301.11 in damages, together with interest, attorneys' fees, arbitration costs, and such other relief as permitted by law or agreement. The Respondents seek \$225,000 on the counterclaims. No conclusions of law or fact have been made, ~~and no arbitration date has been set~~ An evidentiary hearing has been scheduled for November 2026.

Concluded Actions:

K&A Publicidad, Inc. v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc. d/b/a Siempre Tax and John Hewitt, (Case No. CL17-4169), filed on September 5, 2017 in the Virginia Beach Circuit Court. Plaintiff is a company owned and controlled by Kirke Franz Szawronski. Plaintiff alleges that it entered into a contract with Liberty to provide promotional and strategic relationship services to help grow the SiempreTax brand. Plaintiff alleged that defendants breached the contract for failure to pay for services and seeks damages. This matter, along with the *Kirke Franz Szawronski* matter described below, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

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

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

Erie County Employees Retirement System, on behalf of Liberty Tax, Inc. v. John T. Hewitt. Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, was filed the Court of Chancery of the State of Delaware on December 22, 2017. Plaintiff also alleged that Hewitt breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part.

Provision	Section In Franchise or other Agreement	Summary
		proposed transfer documents; transferee must meet our criteria; transferee must execute our then-current Franchise Agreement; pay to us the Transfer Fee; transferee must satisfactorily complete our initial training program; comply with the post-termination provisions; transferee must obtain necessary licenses and permits; obtain any lessor approval for transfer; the transfer must be made in compliance with any laws that apply to the transfer; the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation; -you must request that we provide the prospective transferee with our current franchise disclosure document.
n. Franchisor's right of first refusal to acquire franchisee's business	14.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Franchisor's option to purchase franchisee's business	14.6	We have a right to purchase your Bus, furniture, equipment, signage, fixtures, and supplies post-termination.
p. Death or disability of franchisee	15	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	12.1,	No competition allowed in the United States and its territories <u>(subject to applicable state law)</u> .
r. Non-competition covenants after the franchise is terminated or expires	12.2-12.4, 13	You may not compete or solicit any customer in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years <u>(subject to applicable state law)</u> .
s. Modification of the agreement	5, 16	No modifications except to Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	18	Only the terms in the franchise agreement are binding (subject to federal or state law). Any representations or promises outside of the

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

2025 Historic Financial Performance Representations-Gross Revenues

We present below the gross revenue data for both our affiliate-owned outlet and our franchised outlet, shown separately, for the period January 1, 2025, through December 31, 2025 (the “Period”).

During the Period, one affiliate-owned outlet and one franchised outlet operated for the full calendar year. We excluded four additional franchised outlets that opened during 2025 and therefore had not been in operation for a full calendar year as of December 31, 2025. We also present the franchised outlet's first-quarter 2026 gross revenue data, shown separately below.

The data was extracted from our internal reports as Gross Revenue. Gross Revenue means all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes and gratuities or tips paid to employees by customers.

Affiliate-Owned Outlet- Denver Metro, CO

Below, we set forth the Gross Revenues for our affiliated outlet during the Period.

Denver Metro, CO 2025	
Gross Revenue	\$1,012,795

Material financial and operational differences between the affiliate outlet and a franchised outlet: There are material operational differences between the affiliate-owned outlet, whose results are reported above, and a franchised outlet that you would operate. The affiliate-owned outlet opened in 2016, operates four buses, and holds rights to 10 territories containing approximately 1,502,004 people. However, 87% of the affiliate's gross revenue was generated in five territories, with a total population of 739,536 people. Under our current franchise offering, a franchisee may acquire up to five contiguous territories (each with a population of up to 125,000), for an aggregate territory population of up to 625,000.

A franchised outlet would also incur a royalty of 8% of Gross Revenue, a Brand Fund Contribution of 2% of Gross Revenue, and a Local Advertising requirement of \$500 per month per territory.

[Remainder of page intentionally left blank]

Franchised Outlet-Centennial, CO

Below, we set forth the Gross Revenues for our franchised outlet during the Period and the first quarter of 2026.

Centennial, CO Franchisee Quarterly Gross Revenues	
2025 – Q1	\$16,760
2025 – Q2	\$17,360
2025 – Q3	\$21,730
2025 – Q4	\$31,190
2026 – Q1	\$39,225

The franchised outlet included above has been in operation for less than 24 months as of December 31, 2025. ~~The franchised outlet operates one bus in , and operated one bus to achieve the above-stated results in an a multi-territory~~ area comprising three territories, with a population of 383,645 people.

Written substantiation for this financial performance representation is available to you upon reasonable written request.

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

Other than as disclosed above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Cory Hughes at 780 Lynnhaven Parkway Suite 240, Virginia Beach, VA 23452, 855-825-7387; the Federal Trade Commission; and the appropriate state regulatory agencies.

[remainder of page left intentionally blank]

**ILLINOIS ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT**

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

1. Item 17.w. is modified to provide that Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act **or any other law of the State of Illinois** is void.

4. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement 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.

6. Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its preopening obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

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

6. Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its preopening obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

FRANCHISEE:

FRANCHISOR:
Happie Doggie, LLC

By: _____

By: _____
Cory Hughes, CEO

By: _____

Date: _____

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 or any guarantor to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee and each guarantor has have 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.