

# **FRANCHISE DISCLOSURE DOCUMENT**

**KONGDOG FRANCHISING INC.**

**An Illinois Corporation**

**4320 Regency Drive**

**Glenview, IL 60025**

**(201) 957 – 6605**

**info@kongdog.us**

**[kongdog.us/](http://kongdog.us/)**



The franchise offered is for a quick serve “KongDog” restaurant offering specialty corndogs, egg dishes, bubble tea, and other related items.

The total investment necessary to begin the operation of KongDog franchise ranges from \$162,750 to \$660,500. This includes \$75,000 that must be paid to the franchisor or an affiliate.

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 fourteen (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.**

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 contracts carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

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

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

Issuance Date: April 23, 2026

## How to Use This Franchise Disclosure Document

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

| <b>QUESTION</b>                                                                          | <b>WHERE TO FIND INFORMATION</b>                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E. |
| <b>How much will I need to invest?</b>                                                   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.                                                                  |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit C includes financial statements. Review these statements carefully.                                                                                                                                                                    |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                              |
| <b>Will my business be the only KongDog business in my area?</b>                         | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                             |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                      |
| <b>What's it like to be KongDog franchisee?</b>                                          | Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                          | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                   |

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

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

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

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

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

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

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

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

### **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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 us by mediation and litigation only in Illinois. Out-of-state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate and litigate with us in Illinois than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital 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 to you.
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.
5. **Supplier Control.** "You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business."

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.

**KONGDOG FRANCHISING INC.**  
**Franchise Disclosure Document**

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

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means KongDog Franchising Inc., the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a KongDog franchise, as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers and directors. If you are married and your spouse is not a partner in the franchise business, certain provisions of our Franchise Agreement will also apply to that spouse. We do not own or operate any businesses of the type you will be operating.

We were incorporated in the State of Illinois on December 23, 2021. Our principal business address is 4320 Regency Drive Glenview, IL 60025, and our telephone number is (201) 957 - 6605. We do business under our company name, “KongDog” and its associated design (the “Mark”). We have not offered franchises in any other line of business. We only offer franchises which operate under the “KongDog” Mark. We began offering franchises as of February 1, 2022.

The identities and principal business addresses of our agents for service of process are Sangyun Shin at 77 E Adams Street, Suite 130, Chicago, Illinois, 60603 and the State Administrators and State Agency addresses shown on Exhibit A.

### **Our Parents, Predecessors and Affiliates:**

We have no predecessors. Our Parent company is KongDog, LLC. Our principal business address is 1120 Easton Road, Willow Grove, PA 19090. KongDog, LLC is limited liability company formed under the laws of the Commonwealth of Pennsylvania on September 2, 2021. Kongdog, LLC, is the owner of the “KongDog” Marks and has exclusively licensed use of the Marks to us. KongDog, LLC is also the holder of patents for KongDog products. KongDog, LLC has not offered franchises or operated a business in this or in any other lines of business previously. Kongdog, LLC is the approved supplier for ingredients for KongDog Franchisees.

We have an affiliated company, Belle Journee Franchising, Inc., a New Jersey corporation with a principal business address of 1040 Wilt Avenue, Ridgefield, New Jersey, 07657. Belle Journee Franchising, Inc., has been the franchisor of Belle Journée Bakery franchise system since January 2025. Belle Journee Franchising, Inc. has 2 franchises as of its 2025 fiscal year end.

Our affiliate, HS Chicago Food and Drink Cafe, Inc. was incorporated in the State of Illinois on October 4, 2018. HS Chicago Food and Drink Cafe, Inc.’s principal business address is 1749 Milwaukee Ave, Glenview, Illinois 60025. HS Chicago Food and Drink Cafe, Inc. has not offered franchises in this or any other lines of business. HS Chicago Food and Drink Cafe, Inc. has owned and operated KongDog’s locations which are similar to the franchise being sold and may serve as the location for training franchisees since 2019.

### **The Franchise Offered:**

We grant franchises for the right to operate a quick serve restaurant that that offers specialty corndogs, egg dishes, bubble tea, and other food options from a modern location under the “KongDog” Mark, using our distinctive operating procedures and standards in limited protected territory and from a single location (the “Franchised Business”).

The distinguishing characteristics of the Franchised Business includes our distinctive interior and exterior design, décor, color schemes, graphics, fixtures and furniture, our proprietary products and recipes, operation methods, customer services standards, advertising and marketing specifications, and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing KongDog outlets, all of which we may change, improve, and further develop (collectively, our “System”).

### **Market and Competition:**

The market for your KongDog Franchised Business consists of the general public who seek a unique food in a fast-casual setting. Our franchises are located in or adjacent to a retail strip, shopping center, college university, or, in the alternative, in an urban storefront, and range between 1,200 to 2,000 square feet.

The restaurant industry is highly competitive. This is a highly developed and highly competitive market and you will compete with businesses, including national, regional and local businesses, offering products and services similar to those offered by your KongDog Franchised Business including other quick-serve restaurants, sit-down restaurants, and supermarkets and other establishments that offer prepared food for on- or off-premises consumption. There are many other quick-serve food and beverage franchises, as well as independent businesses throughout the United States that may offer similar products and services to those offered by your Franchised Business. The market for our products and services may experience seasonal variations and may be affected by economic conditions.

### **Industry Specific Regulations:**

At all times during the operation of your KongDog Franchised Business, you must obtain a ServSafe® Food Handler certification and comply with all laws and regulations for proper food storage, preparation, and service.

Unless we agree otherwise, you must serve beer and wine. You must have a liquor license, or your districts equivalent for beer and wine, before you sell alcoholic beverages at your KongDog Franchised Business. The difficulty and cost of obtaining a liquor license, and the steps for securing the license, vary greatly from area to area. There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. In certain limited instances, and if permitted by your state, we may permit you to allow customers to bring their own alcoholic beverages, in which case you must obtain a license to allow consumption of alcohol at your KongDog Franchised Business. In addition, state dram shop laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and serve and foodservice establishment sanitary conditions. State and local agencies inspect foodservice establishments to ensure that they comply with these laws and regulations. Some state and local authorities have adopted, or are considering adopting, laws or regulations that could affect: the content or make-up of food served at your KongDog outlet, such as the level of trans fat contained in a food item; general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free”; and the posting of calorie and other nutritional information on menus.

You must comply with all local, state and federal laws and regulations that apply to the operation of your KongDog Franchised Business, including, among others, business operations, land use, insurance, discrimination, employment, health, sanitation and workplace safety laws. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

**ITEM 2: BUSINESS EXPERIENCE****Sangyun Shin: CEO**

| <b><i>Employer</i></b>   | <b><i>Start/End Date</i></b> | <b><i>Title</i></b> | <b><i>Location</i></b> |
|--------------------------|------------------------------|---------------------|------------------------|
| KongDog Franchising Inc. | 12/2021 – Present            | CEO                 | Glenview, IL           |
| KongDog, LLC             | 09/2021 – Present            | CEO                 | Glenview, IL           |
| Lours Café               | 07/2017 – Present            | Owner               | Glenview, IL           |

**Sunhee Kim: CFO**

| <b><i>Employer</i></b>   | <b><i>Start/End Date</i></b> | <b><i>Title</i></b> | <b><i>Location</i></b> |
|--------------------------|------------------------------|---------------------|------------------------|
| KongDog Franchising Inc. | 12/2021 – Present            | CFO                 | Glenview, IL           |
| Lours Café               | 07/2017 – Present            | Owner               | Glenview, IL           |

**Gloria Jun: Brand Marketing Director**

| <b><i>Employer</i></b>   | <b><i>Start/End Date</i></b> | <b><i>Title</i></b>      | <b><i>Location</i></b> |
|--------------------------|------------------------------|--------------------------|------------------------|
| KongDog Franchising Inc. | 08/2022 – Present            | Brand Marketing Director | Ridgefield, NJ         |
| Drexel School of Law     | 08/2022 – 10/2022            | Student                  | Philadelphia, PA       |
| Shin Chiropractic        | 01/2020 – 08/2022            | Administration           | North Wales, PA        |

**ITEM 3: LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4: BANKRUPTCY**

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

**ITEM 5: INITIAL FEES**

We will charge you an initial franchise fee (“Initial Franchise Fee”) when you sign the Franchise Agreement. The Initial Franchise Fee is Fifty Thousand Dollars (\$50,000.00). This payment is fully earned by us and due in

lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstance.

You are required to make an initial inventory purchase of approximately \$25,000 from our parent company Kongdog, LLC. This purchase includes corndog premix powers, container cups and corndog boxes you need to begin operation of your franchise. The inventory purchase is refundable if unopened in its original packaging.

Should you require additional initial training, beyond our initial training provided, you must pay us \$500 per person per day as an additional training fee. This fee is due before you attend additional training. Fees paid to us for additional training are not refundable.

**ITEM 6: OTHER FEES**

| Type of Fee                                                      | Amount                                                                                                                | Due Date                                                                                       | Remarks                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Continuing Royalty Fee                                           | 6% of monthly Gross Revenue                                                                                           | Monthly via ACH on the 5 <sup>th</sup> of the month for gross revenues of the prior month.     | Payable to us. See footnote 1.                                                                                                                                                                                                                                                                                                                                   |
| Required Minimum Expenditure for Local Marketing and Advertising | A minimum of 2% of monthly Gross Revenue per calendar month.                                                          | As incurred.                                                                                   | Payable to third-party suppliers. All advertising must be approved by us. See Item 11. See footnote 2.                                                                                                                                                                                                                                                           |
| Brand Fund Contribution                                          | Currently none.<br><br>We reserve the right to require up to 2% of monthly Gross Revenue upon 30 day's written notice | Monthly via ACH on the 5 <sup>th</sup> of the month for the gross revenues of the prior month. | Payable directly to the Brand Fund. See footnote 3.                                                                                                                                                                                                                                                                                                              |
| Technology Fee                                                   | \$250 per month, subject to increase by the actual amount charged by suppliers                                        | Monthly via ACH on the 5 <sup>th</sup> of the month.                                           | Payable to third party suppliers or to us. See footnote 4.                                                                                                                                                                                                                                                                                                       |
| Advertising Cooperative                                          | Currently 0%, subject to an increase to 1% of your monthly Gross Revenue.                                             | As determined by cooperative.                                                                  | No cooperatives have been established as of our last fiscal year end. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised KongDog outlets in a designated geographic area. Our affiliate-owned outlets may participate in an advertising cooperative, in our sole discretion. See footnote 5. |
| Late Charge                                                      | \$100                                                                                                                 | As incurred                                                                                    | If you fail to pay us the Continuing Royalty Fee, Brand Fund Fee, or if you fail to submit your Gross Revenue report when due, we may charge you \$100 for each late submission in addition to interest charges explained below.                                                                                                                                 |

| Type of Fee                                       | Amount                                                                                                                                                                                                                                                                            | Due Date                                              | Remarks                                                                                                                                                                                                                                            |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest Charge                                   | 1.5% per month from due date, or maximum allowed by law                                                                                                                                                                                                                           | As incurred                                           | If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.                                                                                                                         |
| Insufficient Funds Fee                            | \$75                                                                                                                                                                                                                                                                              | As incurred                                           | If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge you an Insufficient Funds Fee.                                                                |
| Lease Review Fee                                  | \$500                                                                                                                                                                                                                                                                             | Within 15 days after we consent to your proposed site | You must provide us a copy of the lease for your proposed restaurant premises for our review and consent before you sign it. Our review is limited to brand protection provisions only. We do not review and negotiate lease terms on your behalf. |
| Successor Agreement Fee                           | 50% of the then current initial franchise fee or \$12,500, whichever is greater                                                                                                                                                                                                   | Before signing successor franchise agreement          | Payable to us. See Item 17                                                                                                                                                                                                                         |
| Transfer Fee                                      | 100% of the then current initial franchise fee or \$25,000, whichever is greater                                                                                                                                                                                                  | Before we approve the transfer                        | Payable to us. See Item 17                                                                                                                                                                                                                         |
| Relocation Fee                                    | \$5,000 plus expenses                                                                                                                                                                                                                                                             | As incurred.                                          | You must pay us our actual costs incurred if we approve your request to relocate your Kong Dog outlet. Costs include, but are not limited to, wages, travel expenses, professional fees, and demographic reports.                                  |
| Additional Training and National Business Meeting | The current fee to repeat initial training or to train additional key personnel is \$500 per person per day. You may also be required to attend a national business meeting at the current tuition of \$1,000 per person which may increase with facility cost increases. You pay | As incurred.                                          | See footnote 6.                                                                                                                                                                                                                                    |

| Type of Fee                                   | Amount                                                                                                                                  | Due Date     | Remarks                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                               | all travel and other related expenses incurred by you and your personnel to attend training.                                            |              |                                                                                                                                                                                                                                                                                                                                                                                                    |
| Remedial Training Fee                         | Our then-current trainer per diem rate plus expenses. Our current per diem rate is \$500 per day, plus travel and other expenses.       | As incurred. | We may impose this fee, payable to us, if you request additional training at your premises from time-to-time, or if you are operating below our standards and we require you to have additional training. You must also pay all costs of our trainer, which include but are not limited to, airfare, transportation, hotel and meals.                                                              |
| Interim Management Support Fee                | 10% of gross revenue earned during the term of interim management, plus travel and other expenses.                                      | As incurred. | We may impose this fee (in addition to all regularly occurring fees such as the Continuing Royalty Fee and Brand Fund Contributions), payable to us, if we provide on-site management of your Franchised Business.                                                                                                                                                                                 |
| Examination of Books and Records              | Actual cost of examination plus related expenses.                                                                                       | As incurred. | We have the right under the Franchise Agreement to examine your books, records and tax returns pertaining to the Franchised Business. If an examination reveals that you have understated any Gross Revenue report by two percent (2%) or more, you must pay to us the cost of the audit and all travel and related expenses, in addition to repaying monies owed and interest on the monies owed. |
| Alternate Supplier or Product Evaluation Fee  | \$250, plus actual cost of inspection and testing. \$250 is refundable if the item or service is approved for use by the entire system. | As incurred. | Payable to us. See footnote 7.                                                                                                                                                                                                                                                                                                                                                                     |
| Quality Review Services                       | Actual Cost                                                                                                                             | As incurred  | Payable to third-party providers. See footnote 8.                                                                                                                                                                                                                                                                                                                                                  |
| Operations Standard Violation Fee             | \$500 to \$1,000 per occurrence                                                                                                         | As incurred  | Payable to us.                                                                                                                                                                                                                                                                                                                                                                                     |
| Confidential Operating Manual Replacement Fee | \$100, subject to 10% annual increase                                                                                                   | As incurred  | Paid to us                                                                                                                                                                                                                                                                                                                                                                                         |

| Type of Fee                                                                    | Amount                                                                                                              | Due Date                                                                       | Remarks                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Insurance Reimbursement                                                        | Amount paid by us for your insurance obligations, plus a 10% administrative fee.                                    | As incurred                                                                    | You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement.                                                                                                                                                   |
| Liquidated Damages – Default and Termination of Franchise                      | the greater of \$50,000 or up to 24 months of rolling 12-month average of Royalty Fees and Brand Fund Contributions | Upon termination of the Franchise Agreement due to your default, in a lump sum | If your Franchise Agreement is terminated due to your default, you must pay us the average monthly Royalty Fee and Brand Fund Contribution payable by you for the 12 months prior to your default multiplied by the lesser of 24 months or the number of months remaining in the term of your Franchise Agreement. |
| Liquidated Damages – Violation of Confidentiality or Non-Competition Covenants | \$100,000, plus our attorneys' fees                                                                                 | Per Occurrence                                                                 | Payable to us if you violate the confidentiality and/or non-competition covenants in the Franchise Agreement                                                                                                                                                                                                       |

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

<sup>1</sup> You must pay us a Continuing Royalty Fee equal to six percent (6%) of the Gross Revenue generated monthly by your Franchised Business. "Gross Revenue" means all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited, any and all other revenues received using Franchisor's methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. It does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Revenue). Gross Revenue does not include gift card purchases, at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card. You will pay us the full amount of the Royalty Fee without deduction or application of any tax that may be assessed on the Royalty Fee. If you do not report revenues for the month, then we will collect 120% of the last Continuing Royalty Fee collected and settle the balance the next period in which you report revenue. You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account to our bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds.

<sup>2</sup> Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter.

<sup>3</sup> There is currently no brand fund contribution. Upon 30 days written notice, you must pay directly to our Brand Fund a Brand Fund Contribution. Payments are due at the same and in the same manner as the Royalty Fee. You may be required to set up authorization at your bank to allow the Brand Fund to electronically transfer funds from your bank account to the Brand Fund's bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. You will pay us the full amount of the Brand Fund Contribution without deduction or application of any tax that may be assessed on the Brand Fund Contribution.

If you do not report your revenues for the month, then we will collect 120% of the last Brand Fund collected and settle the balance the next period in which you report revenue.

<sup>4</sup> The Technology Fee is used to maintain the website to include your location and updates on it and to maintain social media activity. Franchisor reserves the right in Franchisor's sole discretion and at any time and from time to time, to increase the amount of the Technology Fee in accordance with increases from third party vendors and service providers.

<sup>5</sup> Each outlet in the cooperative, whether franchised or affiliate-owned, shall have one vote to determine any fees or other requirements imposed by the advertising cooperative. No cooperatives will be formed or maintained that result in our affiliate-owned outlets having a controlling voting power.

<sup>6</sup> If you do not complete the Initial Training Program to our satisfaction, we may allow you to repeat it at an additional fee of \$500 per person per day. We also charge a fee to provide initial training to any manager you appoint, with our approval, after the initial opening of your Franchised Business. The current fee for initial training of your manager appointed after opening is \$500 per person day. We may offer mandatory and/or optional additional training programs from time to time. If we require it, you must participate in additional training for up to three (3) days per year, at a location we designate. We may also require you to attend a national business meeting or annual convention for up to three (3) days per year, at a location we designate. We reserve the right to impose a fee, currently \$1,000 per person which may increase with facility cost increases for the national business meeting or annual convention. You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages.

<sup>7</sup> If you wish to purchase, lease or use any, equipment, supplies, services or other items unapproved or from an unapproved supplier, you must request our prior written approval. As a condition to our approval, we may require inspection of the proposed supplier's facilities and evaluation and testing of the proposed item or service. We reserve the right to charge you a \$250 fee for any inspection and testing, plus the actual cost of inspection and testing.

<sup>8</sup> We reserve the right in the Franchise Agreement to establish quality assurance programs conducted by third-party providers, such as, by way of example only, mystery shop programs and periodic quality audits, to monitor the operations of your Franchised Business. If we require it, you must subscribe and pay the fees for any such program.

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure                     | New Construction |          | Method of Payment                               | When Due                                                     | To Whom Payment is Made                       |
|-----------------------------------------|------------------|----------|-------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------|
| Initial Franchise Fee <sup>1</sup>      | \$50,000         | \$50,000 | Lump sum payment in cash or available funds.    | Upon signing the Franchise Agreement.                        | Us                                            |
| Your Training Expenses <sup>2</sup>     | \$3,000          | \$5,000  | As required for transportation, lodging & meals | As required by suppliers of transportation, lodging & meals. | Suppliers of transportation, lodging & meals. |
| Lease & Utilities deposits <sup>3</sup> | \$3,000          | \$25,000 | As required by landlord & utility providers     | As required by landlord & utility providers                  | Landlord, Utility providers                   |

|                                                                                   |                       |           |                                                 |                                                                |                                                            |
|-----------------------------------------------------------------------------------|-----------------------|-----------|-------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------|
| Architectural Plans                                                               | \$3,000               | \$15,000  | As required by supplier                         | Before opening as required by supplier                         | Supplier                                                   |
| Leasehold Improvements and Construction <sup>4</sup>                              | \$10,000              | \$200,000 | As required by supplier, contractor or landlord | Before opening, as required by supplier.                       | Suppliers, contractor and/or Landlord                      |
| Furniture, Fixtures, Equipment, Computers, and Communications System <sup>5</sup> | \$30,000              | \$159,000 | As required by supplier                         | As required by supplier                                        | Suppliers                                                  |
| Signage <sup>6</sup>                                                              | \$10,000              | \$40,000  | As incurred                                     | Before opening                                                 | Suppliers                                                  |
| Business Licenses and Permits <sup>7</sup>                                        | \$2,000               | \$5,000   | As required by government agencies              | Before opening, as required by government agencies             | Government Agencies                                        |
| POS System <sup>8</sup>                                                           | \$750                 | \$1,500   | As incurred                                     | As required by supplier                                        | Supplier                                                   |
| Initial Inventory <sup>9</sup>                                                    | \$30,000              | \$70,000  | As required by suppliers                        | Before opening                                                 | Suppliers, Us                                              |
| Professional Fees <sup>10</sup>                                                   | \$2,000               | \$10,000  | As required by providers                        | As incurred                                                    | Attorney, Accountant, Other Professional Service Providers |
| Grand Opening Advertising <sup>11</sup>                                           | \$1,000               | \$3,000   | As required by supplier                         | As required by supplier                                        | Suppliers                                                  |
| Insurance <sup>12</sup>                                                           | \$3,000               | \$12,000  | As required by insurer                          | Before opening                                                 | Insurer                                                    |
| Additional Funds – 3 months <sup>13</sup>                                         | \$15,000              | \$65,000  | As incurred                                     | Payroll weekly, other purchases according to agreed-upon terms | Employees, utilities, suppliers, etc.                      |
| TOTAL <sup>14</sup>                                                               | \$162,750 – \$660,500 |           |                                                 |                                                                |                                                            |

<sup>1</sup> Please see Item 5 for information on any incentive programs that may offer a discount on the Initial Franchise Fee.

<sup>2</sup> The cost of the Initial Training Program for up to 3 franchisee partners and 1 manager is included in the Initial Franchise Fee. The chart estimates the costs for transportation, lodging, and meals for 3 participants. These incidental costs are not included in the Initial Franchise Fee. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses. The duration of the training program is 10 days. This estimate does not include employee wages.

<sup>3</sup> This estimate represents a 2-month deposit of rent for a 1,200 – 2,000 square foot location for a KongDog outlet, plus utilities deposits you may incur. Real estate costs vary widely from place to place. You may also

incur real estate broker fees, additional prepayments (e.g., first and/or last month's rent), common area maintenance (CAM) fees, real estate taxes and insurance costs, advertising or promotional fund fees or other costs, depending on the terms of your lease. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract. Utility providers set the amounts of the utility deposits. A credit check may be required by the issuing utility company prior to the initiation of services, or a higher deposit required for first time customers. The figures in the chart include deposits that may be refundable to you at a later time. In most cases, your lease will require you to pay electric, gas, water, and other utilities directly; however, some landlords cover some utility charges through operating fees.

<sup>4</sup> This estimate is for the costs for improvements to your Franchised Business. There is an estimate for a full buildout as well as a second-generation restaurant. We have based our estimates on the historical experience of our affiliates. The full buildout estimates are applicable to a site which has been obtained in the "vanilla box" stage, which refers to an interior condition with existing heating/cooling with delivery systems, electrical switches and outlets, a finished ceiling, walls that are prepped for painting and a concrete slab floor.

<sup>5</sup> This figure also includes the furniture, fixtures and equipment required for your Franchised Business including kitchen equipment, at-counter equipment, refrigerators, menu display, initial image enhancement décor items, tables, chairs, and any other equipment that we require in the operation of the Store.

<sup>6</sup> This estimate is for the cost to produce and mount storefront signage on the exterior of the premises as well as all interior window graphics. The low end of the range assumes pylon signage only.

<sup>7</sup> This is an estimate of the costs of building permits, sign permits and a certificate of occupancy for your premises. Not all locations will require all of these permits, depending on the prior use of the premises and the requirements of local ordinances. This estimate also includes the cost of a local business license. The costs of permits and licenses will vary by location.

<sup>8</sup> This estimate includes the cost of our current required POS system. You must also have Internet and other telecommunications equipment and services in accordance with our standards to permit electronic transmission of sales information. We reserve the right to change your requirements for the POS system at any time.

<sup>9</sup> This estimate is for the cost of the initial inventory sufficient for approximately 1-2 weeks of operation. Your initial inventory will include food and beverage products, paper and plastic products, containers, accessories, merchandise, uniforms and other products utilized in the operation of the store. This estimate includes the initial inventory purchase of approximately \$25,000 from our parent company.

<sup>10</sup> You may incur professional fees depending on the scope of work performed, which may include, legal and accounting fees to review franchise documents and costs of forming a separate legal entity and/or obtaining zoning approval. This list is not exhaustive. This amount will vary greatly depending on your specific needs and location. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your franchise.

<sup>11</sup> During the opening of your Franchised Business, we require you to spend at least \$1,000- \$3,000 on local grand opening advertising and promotional activities in your Territory at the time and in the manner we specify. You may elect to expend additional amounts to conduct a larger, more elaborate grand opening event. The estimate in the above Table includes the cost of promotional materials.

<sup>12</sup> Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. This includes comprehensive general liability insurance, including public liability, personal injury, advertising injury, and products liability with a combined single limit of at least \$1 million per

occurrence and \$2 million aggregate; worker's compensation coverage in the limits required by the state in which the Franchised Business is located and operated; business interruption insurance which provided for payment to Company of royalties and advertising payment lost during the business interruption; and property insurance for the full replacement value of furniture, fixtures, equipment and leasehold improvements. Each policy must be written by a responsible carrier or carriers acceptable to us and must name us and our respective officers, directors, partners, agents and employees as additional insured parties, as their interests may appear. Insurance costs and requirements may vary widely in different localities. The estimate is for the first quarterly premium for required minimum insurance coverage. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.

<sup>13</sup> This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business before operations begin and during the first three (3) months after commencing operations. We relied upon the experience of our affiliate-owned KongDog outlets in Illinois, which have been operating since 2019, to compile these estimates. This estimate includes such items as rent, utilities, internet service, initial payroll and payroll taxes, Royalties (as described in this disclosure document), Brand Fund Contributions, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, and other miscellaneous items. These estimates do not include any compensation to you nor do they include debt service.

<sup>14</sup> These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Franchised Business. Your additional costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for our service; competition; and the sales level reached during your initial period. We estimate that a franchisee can expect to put additional cash into the business during at least the first three to six months, and sometimes longer.

We do not offer financing for any part of the initial investment.

All fees and payments are non-refundable, unless otherwise stated or permitted by payee.

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

We have identified various suppliers, distributors and manufacturers of equipment, fixtures, furnishings, ingredients, supplies and services that your Franchised Business must use or provide which meets our standards and requirements. You must purchase all equipment, fixtures, furnishings, ingredients, supplies and services, including computer systems and certain software, from our designated suppliers and contractors or in accordance with our specifications. We maintain written lists of approved items of equipment, fixtures, furnishings, ingredients, supplies and services (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We will update these lists periodically and issue the updated lists to all franchisees.

We approve suppliers after careful review of the quality of the products they provide to us and our franchisees. If you would like us to consider another item or supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and such other information that we may require. If the item and/or supplier meets our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will make a good-faith effort to notify you whether we approve or disapprove of the proposed item or supplier within 30 days after we receive all required information to evaluate the product or service. If we do not approve any request within 30 days, it is deemed unapproved. We reserve the right to revoke approval of any item or supplier that does not continue to meet our then-current standards. Our criteria for approving items and suppliers are not available to you. If you request that we approve a proposed item or supplier, we may charge you a \$250 fee, plus actual cost of inspection and testing.

Our parent company, Kongdog, LLC, is currently the only approved supplier for all corndog premix powers, container cups, and corndog boxes. Sangyun Shin is the owner of this company. No franchisor officer owns an interest in any other supplier.

Kongdog LLC, received revenue of \$150,820 from required purchases by franchisees in 2025.

We do not receive any other revenue, rebates, discounts or other material consideration from any other suppliers based on your required purchases of products, supplies or equipment from them; however, we may do so in the future, and any rebates or discounts we receive may be kept by us in our sole discretion.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 60%-80% of your costs to establish your Franchised Business and approximately 65%-75% of your costs for ongoing operation.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

Although we have not yet done so, from time to time, we may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees.

#### Insurance

Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. This includes comprehensive general liability insurance, including public liability, personal injury, advertising injury, and products liability with a combined single limit of at least \$1 million per occurrence and \$2 million aggregate; employer practices liability insurance that names Franchisor as co-defendant in the amount of One Million Dollars (\$1,000,000) for employment wrongful acts, including third party liability for harassment and discrimination of non-employees, worker's compensation coverage in the limits required by the state in which the Franchised Business is located and operated; business interruption insurance which provided for payment to Company of royalties and advertising payment lost during the business interruption; and property insurance for the full replacement value of furniture, fixtures, equipment and leasehold improvements. The Franchise Agreement also requires you to indemnify us for claims and damages related to your Franchised Business and your defaults, and we recommend that your insurance policies contain an insured contract or contractual liability provision. Each policy must be written by a responsible carrier or carriers acceptable to us and must name us and our respective officers, directors, partners, agents and employees as additional insured parties, as their interests may appear.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources.

#### **ITEM 9: FRANCHISEE'S OBLIGATIONS**

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

| <b>Obligation</b>                       | <b>Section or Article in Franchise Agreement</b> | <b>Item in Franchise Disclosure Document</b> |
|-----------------------------------------|--------------------------------------------------|----------------------------------------------|
| a. Site Selection and Acquisition/Lease | 8.1                                              | 11                                           |
| b. Pre-Opening Purchase/Leases          | 8.3, 10.5, 12.3.1                                | 7, 11                                        |

| Obligation                                                 | Section or Article in Franchise Agreement                                       | Item in Franchise Disclosure Document |
|------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------|
| c. Site Development & other Pre-Opening Requirements       | 8.2, 8.3, 12.1.1, 12.1.3                                                        | 11                                    |
| d. Initial and Ongoing Training                            | Article 7                                                                       | 11                                    |
| e. Opening                                                 | 8.2.3, 8.3                                                                      | 11                                    |
| f. Fees                                                    | 5.1, 5.2.7, Article 6, 12.3.7, 12.6, 15.6, 16.4, 18.1.4, 18.1.5, 18.1.8, 19.1.5 | 5, 6, 7                               |
| g. Compliance with Standards and Policies/Operating Manual | Article 9, 12.1, 19.1.1                                                         | 8, 11                                 |
| h. Trademarks and Proprietary Information                  | 9.4, 12.1.8, Article 14, 19.2, 19.3, 19.4                                       | 13, 14                                |
| i. Restrictions on Products/Services Offered               | 12.1.1, 12.1.4, 12.6                                                            | 8                                     |
| j. Warranty and Customer Service Requirements              | Not Applicable                                                                  | Not Applicable                        |
| k. Territorial Development and Sales Quotas                | 13.2                                                                            | 12                                    |
| l. Ongoing Product/Service Purchases                       | 12.1.4, 12.3.5                                                                  | 8                                     |
| m. Maintenance, Appearance and Remodeling Requirements     | Article 9, 12.1.2, 12.1.5, 12.1.9                                               | Item 11                               |
| n. Insurance                                               | Article 15                                                                      | 7, 8                                  |
| o. Advertising                                             | 12.1.9, Article 13                                                              | 6, 11                                 |
| p. Indemnification                                         | 12.3.9, 15.6, 16.3.6, 17.7, 21.1                                                | 8                                     |
| q. Owner's Participation, Management, Staffing             | 11.1, 11.3, 12.1.6                                                              | 11, 15                                |
| r. Records /Reports                                        | 12.2                                                                            | 6                                     |
| s. Inspections and Audits                                  | 9.2, 12.1.7, 12.2.5                                                             | 6, 11                                 |
| t. Transfer                                                | Article 16                                                                      | 17                                    |
| u. Renewal                                                 | Article 5                                                                       | 17                                    |
| v. Post-Termination Obligations                            | Article 18                                                                      | 17                                    |
| w. Non-Competition Covenants                               | 19.5                                                                            | 17                                    |
| x. Dispute Resolution                                      | Article 20                                                                      | 17                                    |
| y. Guaranty                                                | 11.2.6, Attachment 6                                                            | 15                                    |

#### **ITEM 10: FINANCING**

We do not offer direct or indirect financing. We do not guarantee any note, lease, or obligation on your behalf.

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

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

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

Before you open your Franchised Business, we will:

- a. provide you with site selection guidelines and approve a location for your Franchised Business. Within 90 days of signing the Franchise Agreement, you must submit a written request for approval to us describing the proposed location and providing other information about the site that we reasonably request. We will respond within ten (10) business days, either accepting or rejecting the proposed location. We consider the following factors in approving a site: general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and residential areas, traffic patterns, condition of premises, tenant mix, and demographic characteristics of the area. We will not own and/or lease a site to you. You are responsible for negotiating a purchase or lease with the owner of a site we approve. If you do not identify a site that meets our approval within ninety (90) days of signing the Franchise Agreement, we reserve the right to terminate the Franchise Agreement. (Franchise Agreement, Sections 8.1.2, 8.1.3, 10.1, 17.2.1).
- b. provide you with prototypical plans and specifications for the layout, design, appearance, and signage for your KongDog outlet. We are not responsible for assisting you with conforming the premises to local ordinances and building codes and/or constructing, remodeling, or decorating the premises. You, your architect and your contractor are required to adapt our prototypical plans and specifications for the construction of your premises and obtain permits. We do not adapt plans or obtain permits for you. (Franchise Agreement, Sections 8.2.1, 10.2).
- c. loan to you the KongDog Operations Manual and other manuals and training aids we designate for use in the operation of your KongDog Franchise, as they may be revised from time to time (Franchise Agreement, Section 10.3).
- d. provide a written list of equipment, fixtures, furnishings, signage, supplies and products that will be required to open the Franchised Business. We and our affiliates do not deliver or install any of these items (Franchise Agreement, Section 10.5).
- e. recommend minimum and maximum prices for products and services at your KongDog outlet (Franchise Agreement, Section 12.5).
- f. provide you with initial training at an affiliate- or franchised-owned outlet. We will determine, in our sole discretion, whether you satisfactorily complete the initial training. (Franchise Agreement, Sections 7.1, 7.2).
- g. provide you with standards for qualifications and training of your employees. We do not otherwise assist you with employee hiring and training (Franchise Agreement, Section 12.1.6).

### **Time to Open**

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your KongDog outlet is two hundred forty to three hundred (240-300) days. Factors that may affect this time period include your ability to acquire a site, financing, zoning or other permits; compliance with local ordinances and restrictions; shortages for construction; delivery and installation of fixtures, signs and equipment, and completion of required training.

### **3. Obligations After Opening**

During the operation of your franchise, we will:

- a. offer from time to time, in our discretion, mandatory or optional additional training programs. If we require it, you must attend mandatory additional training offered by us for up to 3 days each year at a location we designate and attend an annual business meeting or franchisee conference for up to 3 days

each year at a location we designate. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We reserve the right to impose a fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. The current rate for an annual meeting is \$1,000 per person which may increase with facility cost increases. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs. (Franchise Agreement, Section 7.4).

- b. upon your request, or as we determine to be appropriate, provide remedial on-site training and assistance at your premises. For any on-site remedial training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging (Franchise Agreement, Section 7.5).
- c. upon your request, provide individualized assistance to you by telephone, fax, electronic mail or postage service, subject at all times to availability of our personnel and our discretionary reasonable limits (Franchise Agreement, Section 7.6).
- e. from time to time, as may become available, provide you with samples or digital artwork, advertising and promotional materials (Franchise Agreement, Section 10.6).
- f. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your products, service and premises to ensure that they meet our standards (Franchise Agreement, Section 10.4).
- g. provide you with any written specifications for required equipment, fixtures, products and services and provide you with updated lists of any approved suppliers of these items (Franchise Agreement, Section 10.7).
- h. during the seven (7) days prior to and seven (7) days following your opening , provide you with on-site opening assistance for up to three (3) days following the opening of your first KongDog outlet.(Franchise Agreement, Section 7.3).
- i. recommend minimum and maximum prices for products and services at your KongDog outlet (Franchise Agreement, Section 12.5).
- j. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within fifteen (15) business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within fifteen (15) business days, the proposed material and/or campaign is deemed "disapproved". (Franchise Agreement, Section 13.6).
- k. provide the plans and specifications being used for new or remodeled franchised businesses that are due to be completed on the date of the successor franchise agreement. There are no contractual restrictions on the franchisor's ability to require these upgrades or renovations over the term of the Franchise Agreement. (Franchise Agreement, Section 5.2.6, 8.4.1, and 9.1).

#### **4. Advertising**

**Local Advertising** (Franchise Agreement, Sections 13.2 and 13.6)

We require you to spend at least \$1,000 – \$3,000.00 in opening advertising and promotional activities, at the time and in the manner we specify, in the Territory. Thereafter, you are required to spend at least 2% of monthly Gross Revenue on local advertising to promote your Franchised Business. Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter.

You may develop advertising materials for your own use at your own cost, and you may use marketing materials that we may offer to you from time to time. You may not use any advertising or marketing materials, including press releases, unless they have been approved in advance in writing by us, which approval may be withheld in our discretion. We will respond to your request for approval within 15 business days; however, if we do not respond within fifteen (15) business days, the proposed advertising or marketing material is deemed “disapproved”.

We do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory. You are responsible for local advertising placement. You must list the Franchised Business in local business directories, including, but not limited to, listings on Internet search engines. If feasible, you may do cooperative advertising with other KongDog franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, Twitter, LinkedIn, YouTube or any other social media and/or networking site without our prior written approval.

#### **System-wide Brand Fund (Franchise Agreement, Section 13.3)**

There is currently no Brand Fund contribution. Upon 30 days written notice from Franchisor you are required to contribute to the Brand Fund up to 2% of monthly Gross Revenue generated by your Franchised Business. KongDog outlets operated by our affiliates are not required to contribute to the Brand Fund.

The Brand Fund is administered by us. We may use Brand Fund contributions to pay any and all costs for the development, production and placement of advertising, marketing, promotional and public relations materials and programs. We may also use Brand Fund contributions to pay any and all costs of marketing seminars and training programs, market research, and services of advertising and/or public relations agencies. We may further use Brand Fund contributions to pay our costs (including personnel and other administrative costs) for advertising that is administered by us or prepared by us, as well as for administration and direction of the Brand Fund.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we reserve the right to include “Franchises Available” or similar language and contact information in advertising produced with Brand Fund contributions.

The Brand Fund collects and expends the Brand Fund contributions for the benefit of the System as a whole. We reserve the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, Internet and direct-mail campaigns. We have no obligation, however, to place advertising or conduct marketing campaigns in any particular area, including the Territory where your Franchised Business is located.

We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund.

An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry forward any surplus or deficit to the next fiscal year. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

No Brand Fund contributions were required, made, or expended in our most recently concluded fiscal year.

#### **Regional Advertising** (Franchise Agreement, Section 13.4)

Currently, our System has no regional advertising fund or cooperative. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole discretion. A regional cooperative will be comprised of all franchised KongDog outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. Each KongDog outlet will have one vote in the cooperative. However, no cooperative will be formed or maintained that result in our affiliate-owned outlets having a controlling voting power. We will determine in advance how each cooperative will be organized and governed. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents. There are no current cooperative documents available for you to review.

If we establish a regional advertising fund or cooperative, each KongDog outlet, whether franchise-owned or affiliate-owned, must contribute amounts equal to each outlet's pro-rata share of cooperative advertising costs. Your contributions to a regional advertising fund or cooperative will be in addition to your required contributions to the Brand Fund and required expenditures for local advertising.

#### **Advertising Council** (Franchise Agreement, Section 9.6)

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance and outlet profitability. We reserve the right to change or dissolve the council at any time.

### **5. Website/Social Media** (Franchise Agreement, Section 6.6)

You are required to pay a monthly non-refundable two hundred and fifty dollar per month (\$250), subject to increase, Technology Fee. We alone may establish, maintain, modify or discontinue all intranet, internet, world wide web and electronic commerce activities pertaining to the System. We have established, and may establish in the future, one or more websites accessible through one or more uniform resource locators ("URLs") designed to market and promote the KongDog System and the franchise opportunity. We may design and provide for the benefit of your Franchised Business a "click through" subpage at our website(s) for the promotion of your Franchised Business and you must provide us with the information that we request. We will build out your "click through" subpages, and we will be responsible for maintaining all photo galleries, calendars or other information contained on your subpages. You may not establish your own website or use social media platforms for the promotion of your Franchised Business without our prior written consent. You must sign such documents as we may require, that grant us the right to change, transfer or terminate your email addresses, domain names, social media platforms and comparable electronic identities that use our trademarks if the Franchise Agreement expires or is terminated, or if your franchise is not renewed.

Any websites or other modes of electronic commerce that we establish or maintain may—in addition to advertising and promoting the products, programs or services available at KongDog Franchised Businesses—

also be devoted in part to offering KongDog Franchised Businesses for sale and be used by us to develop the electronic commerce rights which we alone control.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee email, System discussion forums and System-wide communications (among other activities) can be done.

Except for the social media presence that we will establish on your behalf, you are not permitted to promote your Franchised Business or use any of the Marks in any manner on any social or networking websites, such as Facebook, Instagram, Tik Tok, LinkedIn, Twitter, Snapchat, personal blogs, virtual worlds, audio and video-sharing sites, and other similar social networking or media sites or tools (collectively, “social media”) without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Franchised Business’s operation, including prohibitions on your employees posting or blogging comments about the Franchised Business or the System, other than on a website established or authorized by us. You will not be given access to branded social media pages/handles/assets, as these will be maintained by us. We reserve the right to conduct collective/national campaigns via social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

#### 6. **Computer Systems** (Franchise Agreement, Section 12.3)

You must purchase and use the point-of-sale system (“POS System”) we specify, and have the latest versions of hardware, software and computer platforms to operate the POS System. The current POS System requirement is Cloudhood POS, which includes iPads or other mobile device, credit card readers, cash drawers and software. The Square POS software is used for employee scheduling and payroll, payment processing, and report generation.

The Cloudhood POS software allows us to independently and remotely access all of your sales data, including your Gross Revenue, through the Internet. We may in the future establish or modify the sales reporting systems as we deem appropriate for the accurate and expeditious reporting of Gross Revenue, and you must fully cooperate in implementing any such system at your expense.

You are required to have a digital bookkeeping application, through a vendor of your choosing, provided that your application is capable of providing the financial information and reports that we require.

The current initial cost of the required computer hardware and software is between \$750 - \$1,500. Monthly software access fees are approximately \$150 subject to increase.

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs.

We will have independent, unlimited electronic access to the information generated by and stored in your computer software and applications. There are no contractual limitations on our right to have full access to this information. We may retrieve, download, analyze and store such information and data at any time. We own all customer data stored in your customer management account.

We have no obligation to maintain, repair, update or upgrade your computer and software. At your cost, you must provide on-going maintenance and repairs to your computer and software. You must upgrade your computer hardware and software as necessary to operate the most current version of the POS System or any

replacements thereto. We estimate the cost of maintaining, updating and upgrading your computer hardware and software to be approximately \$1,200 per year. This may vary depending on the make and model of your computer, required upgrades to operate our current management and payment processing applications, repair history, usage, local cost of computer maintenance services in your area and technological advances that we cannot predict.

#### 7. **Table of Contents of Operations Manual**

The Table of Contents of our KongDog Operations Manual, current as of our last fiscal year end the date of this Disclosure Document is attached as Exhibit D. The Operations Manual has approximately 193 pages.

#### 8. **Training** (Franchise Agreement, Article 7)

Franchisee (specifically including all Franchisee's principals) shall attend and complete to Franchisor's sole and absolute satisfaction, Franchisor's initial training program ("Initial Training Program") at least 10 days (but no more than 6 weeks, prior to the opening of the Franchised Business. We will train you, your general manager, and principals at a KongDog outlet in Glenview, Illinois, operated by one of our affiliates, and/or at another affiliate-owned or franchised-owned outlet, in our discretion:

#### **TRAINING PROGRAM**

| <b>SUBJECT</b>                   | <b>HOURS OF CLASSROOM TRAINING</b> | <b>HOURS OF ON THE JOB TRAINING</b> | <b>LOCATION</b>    |
|----------------------------------|------------------------------------|-------------------------------------|--------------------|
| Use of the Manual                | 2.5                                | 2                                   | Glenview, Illinois |
| Tour of the location             | 1                                  | 1                                   | Glenview, Illinois |
| Pre-Opening Procedures           | 1                                  | 2                                   | Glenview, Illinois |
| Personnel Issues                 | 1                                  | 0.5                                 | Glenview, Illinois |
| Advertising                      | 1                                  | 0.5                                 | Glenview, Illinois |
| Management Procedures            | 2                                  | 1                                   | Glenview, Illinois |
| Franchise Reporting Requirements | 1                                  | 1                                   | Glenview, Illinois |
| Accounting/Record keeping        | 2                                  | 1                                   | Glenview, Illinois |
| Customer Service Procedures      | 2                                  | 1                                   | Glenview, Illinois |
| Information Procedures           | 1                                  | 1                                   | Glenview, Illinois |
| Application Procedures           | 1                                  | 0.5                                 | Glenview, Illinois |
| Safety Procedures                | 3                                  | 1                                   | Glenview, Illinois |
| <b>Totals</b>                    | 18.5                               | 12.5                                |                    |

We periodically conduct our Initial Training Program throughout the year as needed. Training is conducted by our CEO, Sangyun Shin. Mr. Shin has been with us since 2021 and has over five years of experience in the industry. We reserve the right to make changes in our training staff as we deem necessary and advisable without prior notice.

Our training materials consist of the operations manual, digital presentations and tutorials, web-based instruction marketing and promotional materials, and any other materials that we believe will be beneficial to our franchisees in the training process. Hands-on training also includes observation and active instruction.

The cost of our instructors and training materials for up to 2 franchisee partners and 1 general manager per Franchised Business, approved prior to opening, is included in the Initial Franchise Fee. You must pay for all of travel and personal expenses, including, but not limited to, all costs for your transportation, meals, and lodging for yourself and your personnel. Our current fee to provide initial training to any additional trainees is \$500 per person per day.

If you or your general manager does not complete our Initial Training Program to our satisfaction, we reserve the right to terminate the Franchise Agreement; however, we may allow you to repeat the Initial Training Program at an additional fee of \$500 per person per day. We also reserve the right to charge a reasonable fee to provide initial training in Glenview, Illinois, to any manager you appoint, with our approval, after the initial opening of your Franchised Business. Our current fee to provide initial training to any replacement manager is \$500 per person per day. You must also pay your manager's travel and personal expenses.

During the seven (7) days prior to and the seven (7) days during the grand opening of your Franchised Business, we will provide you with on-site training, supervision and assistance for opening assistance for up to three (3) days.

We may conduct mandatory or optional additional training programs, including an annual conference or national business meeting. If we require it, you must attend mandatory training programs that we offer for up to three (3) days each year, and an annual conference or national business meeting for up to three (3) days each year, at a location we designate. Failure to attend mandatory training, including an annual conference or business meeting is a default under the Franchise Agreement. We reserve the right to impose a reasonable fee, as yet to be determined, for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs.

#### **ITEM 12: TERRITORY**

Under the Franchise Agreement, you have the right to establish and operate one (1) KongDog outlet within a territory that will be defined after the location of your KongDog outlet is identified and approved by us (the "Territory"). You are required to find and obtain possession of a specific location for your Franchised Business that meets our site selection criteria and our approval. Your Territory is located in all or a portion of a listed town, city, or county, and is identified by a group of contiguous zip codes. The Territory is determined on an individual basis taking into account minimum numbers of households, average home prices and household incomes. The minimum Territory that may be granted is a one (1) mile radius or 50,000 people, whichever is less. Your Territory will be defined and attached to your Franchise Agreement as Attachment 2.

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

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not open another KongDog outlet or grant the right to anyone else to open a KongDog outlet within the Territory. However, notwithstanding this limited protection right we grant to you, we reserve all rights to sell our products and services under the Mark in the Territory through alternative distribution channels, as discussed below.

You may not change the location of your Franchised Business, without our written consent, which we may withhold in our sole discretion. The conditions under which we may allow you to relocate include the following: loss of your premises not due to your default, demographics of the surrounding area, proximity to other KongDog outlets, lease requirements, traffic patterns, vehicular and pedestrian access, proximity to major roads, available parking, and overall suitability. If you wish to relocate, you must identify a new location for the Franchised Business that meets our approval, in accordance with our then-current site selection procedures, within 90 days. If you do not identify a site within this time period, we may terminate the Franchise Agreement. While you are closed for relocation, you must continue to pay us a minimum Royalty Fee, Brand Fund contribution, and Technology Fee equal to the average paid during the four (4) calendar quarters immediately preceding the loss of your premises.

We may, but have no obligation to, consider granting to you the right to establish additional KongDog outlets under other franchise agreements if you are in compliance with the Franchise Agreement and propose to open another KongDog outlet in an area and at a location we approve. The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate KongDog outlets outside of the Territory and may operate other kinds of businesses within the Territory. Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Mark, including a product or service similar to those you will sell at your Franchised Business.

We and our affiliates may sell products and services under the Mark within or outside the Territory or development area through any method of distribution other than a dedicated KongDog outlet location, such as distribution through retail outlets, including but not limited to, grocery stores; in captive market locations, such as airports and malls; and the Internet (“Alternative Distribution Channels”). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory or development area.

You may not use Alternative Distribution Channels to make sales inside or outside your Territory; however, we will include a listing on our website of your KongDog outlet location. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory.

#### **ITEM 13: TRADEMARKS**

KongDog, LLC (“Licensor”) is the owner of the Mark and has granted us the exclusive right to use the Mark and license to others the right to use the Mark in the operation of a KongDog outlets in accordance with the System. The Franchise Agreement will license to you the right to operate your Franchised Business under the KongDog service mark, as described below (“Principal Mark”):

| Mark                                                                                | Registration Number | Registration Date | Registration Type |
|-------------------------------------------------------------------------------------|---------------------|-------------------|-------------------|
|  | 6987591             | February 21, 2023 | Principal         |

We have filed the required affidavits for the above marks related to incontestability and use in commerce.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Mark or other trademarks. Licensor and we will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all

expenses and damages arising from any claim challenging your authorized use of the Principal Mark or other trademarks. Licensors and we have the right to control any administrative proceedings or litigation involving the Principal Mark or other trademarks licensed by us to you. You must cooperate fully with Licensors and us in defending and/or settling the litigation.

We reserve the right to substitute different Marks if we can no longer use the current Mark, or if we determine that substitution of different Marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any Mark, including the Principal Mark, or to use one or more additional or substitute Marks.

Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions or discontinuation of the Principal Trademark.

The Franchisor will not protect the franchisee against claims of infringements or unfair competition arising out of the franchisee's use of the trademarks, and the Franchisee does not have any rights under the franchise agreement if the Franchisor requires the Franchisee to modify or discontinue using a trademark.

Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

You must not directly or indirectly contest our right to the Principal Mark or other Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Mark. There is no pending infringement, opposition or cancellation. There is no pending material federal or state court litigation involving the Principal Mark or other of our trademarks.

There are no currently effective agreements that significantly limit Licensors' or our rights to use or license the use of the Principal Mark or other of our trademarks in a manner material to the franchise.

As of our last fiscal year end, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark.

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

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, photographs and other written materials. We also claim copyrights and other proprietary rights in our Manual.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect which limit your right to use any of our copyrights. As of our last fiscal year end, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them.

Our mutual obligations to protect your rights to use our copyrights are the same as the obligations for Trademarks described in Item 13 of this disclosure document.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, formulas, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and applications,

website and/or email design, products, services, equipment, technologies and procedures relating to the operation of your KongDog outlet; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System; the Operations Manual; methods of advertising and promotion; instructional materials; marketing plans, business methods, research, development or know-how, any other information which we may or may not specifically designate as "confidential" or "proprietary", and the components of our System whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the Initial Term, any successor Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your personnel who have access to our Confidential Information must sign our Confidentiality/Non-Competition Agreement (Franchise Agreement, Attachment 7).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action, but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

**ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

The Franchise Agreement does not require that you personally supervise your KongDog outlet, although we recommend it. Your KongDog outlet must be directly supervised by a general manager. Your general manager can either be you or someone appointed by you who is acceptable to us. Your general manager must successfully complete our Initial Training Program and all other training courses we require. Your general manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. If the franchisee is a business entity, your general manager is not required to have an equity interest in the franchisee entity. Your manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Franchise Agreement as Attachment 7. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Spousal Guaranty, which is attached to our Franchise Agreement as Attachment 6.

**ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL**

You must offer for sale only products and services that have been approved and specified by us in the Manual and any updates that are incorporated in the Manual from time to time. You may not offer for sale any products or services not specifically approved by us in writing and you may not use your Franchised Business for any other purpose than the operation of a Business and the sale of products or services approved by us. You must offer any products and/or services that we designate as required products and/or required services in the Manual. There are no limits on our ability to make changes to the products or services we require you to sell, including any related to staffing requirements; minimum or specific hours of operations; and requirements to participate or maintain participation in gift card, coupon, or client incentive programs.

You may not use our Principal Mark or other trademarks for any other business, and you may not conduct any other business from your Franchised Business location. You cannot engage in any other business that competes with your Franchised Business, with us or our affiliates, or with KongDog outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications, but only if the changes do not materially and unreasonably increase your obligations under the Franchise Agreement. There are no other limits on our rights to make these changes.

You may only sell products and services in the manner we prescribe. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory. See Item 12 for restrictions on sales within and outside the Territory.

# **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.**

|    | <b>Provision</b>                               | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. | Length of the franchise term                   | Art. 4                                | Term is 10 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| b. | Renewal or extension of the Term               | Sections 5.1                          | If you are in good standing as defined below, you can renew for up to one (1) additional term of ten (10) years, unless we have determined, in our sole discretion, to withdraw from your Territory                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| c. | Requirements for franchisee to renew or extend | Sections 5.2 and 5.3                  | Be in full compliance, have no more than three (3) events of default during current term, provide written notice to us at least six months before the end of the term, execute a new franchise agreement, continue to have the right to occupy the premises or have received approval from us to relocate, remodel your Franchised Business location, execute a general release, comply with then-current qualifications and training requirements, including completion of additional training, and pay the Successor Franchise Fee that is 50% of the then current Initial Franchise Fee or \$12,500, whichever is greater.<br><br>You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement. |
| d. | Termination by franchisee                      | Not Applicable                        | You may seek termination upon any grounds available by state law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| e. | Termination by franchisor without cause        | Section 16.7                          | The Franchise Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Franchise is transferred within 6 months to a replacement franchisee that we approve.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| f. | Termination by franchisor with cause           | Article 17                            | We may terminate only if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| g. | “Cause” defined – curable defaults             | Section 17.3                          | You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

|    | <b>Provision</b>                                     | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----|------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| h. | "Cause" defined - non-curable defaults               | Sections 17.1 and 17.2                | <p>The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days.</p> <p>We may terminate the Franchise Agreement upon notice to you if you: do not acquire a site, do not complete construction and/or open the Franchised Business within required time frames; falsify any report to us; cease operations for 5 days or more, unless the premises are damaged and you apply to relocate; lose possession of the premises, unless you are not at fault for loss and you timely apply to relocate; fail to restore and re-open the Franchised Business within 120 days after a casualty, as may be extended by us; fail to comply with applicable laws; default under any lease for the premises; understate Gross Revenue two (2) or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use our trademarks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three (3) or more times during the term or receive two (2) or more default notices in any 12-month period; default under any other agreement with us or our affiliate; have insufficient funds to honor a check or EFT two (2) or more times within any twelve (12)-month period; or terminate the Franchise Agreement without cause.</p> |
| i. | Franchisee's obligations on termination/ non-renewal | Article 18                            | <p>Upon termination, you must: cease operations; cease to identify yourself as a KongDog franchisee; cease to use our trademarks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorney's fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business; and assign, at our option, your telephone numbers, directory and internet listings, and social media accounts and the lease for the location.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| j. | Assignment of contract by franchisor                 | Section 16.1.1                        | No restrictions on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| k. | "Transfer" by franchisee defined                     | Section 16.3                          | Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

|    | <b>Provision</b>                                                       | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----|------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| l. | Franchisor approval of transfer by franchisee                          | Section 16.3                          | No transfer is allowed without our consent, which we will not unreasonably withhold.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| m. | Conditions for franchisor approval of a transfer                       | Section 16.3 and 16.4                 | Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee and its general manager successfully complete our Initial Training Program; you have paid us and third-party creditors all amounts owed; you and the transferee sign a General Release in the form of Exhibit G to this Franchise Disclosure Document; you shall subordinate any claims you have against the transferee to us; you will indemnify us for a period of 3 years following the transfer; our approval of the material terms and conditions of the transfer; landlord's consent of a lease assignment, if applicable; payment of a transfer fee equal to 100% of the then current franchise fee or \$25,000, whichever is greater. |
| n. | Franchisor's right of first refusal to acquire franchisee's business   | Section 16.6                          | You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| o. | Franchisor's option to purchase franchisee's business                  | Section 18.2                          | Upon termination of the Franchise Agreement, we have the option to purchase your furniture, equipment, signs, advertising materials, supplies and inventory at your cost or fair market value, whichever is less.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| p. | Death or disability of franchisee                                      | Sections 16.3, 16.4 and 16.7          | The Franchise Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Franchise is transferred within 6 months to a replacement franchisee that we approve.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| q. | Non-competition covenants during the term of the franchise             | Section 19.5.1                        | You may not: divert, or attempt to divert, customers of any KongDog outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of our trademarks or System, or disrupt or jeopardize our business or that of our franchisees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| r. | Non-competition covenants after the franchise is terminated or expires | Section 19.5.2                        | For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any KongDog outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within 10 miles of your former KongDog outlet location or any other KongDog outlet location; do any act that could damage the goodwill of our trademarks or System, or disrupt or jeopardize our business or that of our franchisees.                                                                                                                                                                                                                                                                                                                                                                               |
| s. | Modification of the agreement                                          | Sections 9.4, 14.6, and 19.1.4        | No oral modifications generally, but we may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our trademarks at any time upon written notice to you.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| t. | Integration/merger clause                                              | Section 16.1.2                        | 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 the Franchise Disclosure Document and other agreements may not be                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

|    | <b>Provision</b>                               | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                     |
|----|------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                                |                                       | enforceable. Notwithstanding the foregoing, nothing in the Franchise Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.                                                                                                                                     |
| u. | Dispute resolution by arbitration or mediation | Sections 20.1, 20.2,, and 20.4        | At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, excluding claims related to injunctive relief, anti-trust, the trademarks, possession of the Franchised Business premises and post-termination obligations. Subject to applicable state law. |
| v. | Choice of forum                                | Section 20.3                          | Pennsylvania, subject to applicable state law.                                                                                                                                                                                                                                                                     |
| w. | Choice of law                                  | Section 20.3                          | Pennsylvania law applies, subject to applicable state law.                                                                                                                                                                                                                                                         |

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement for special state disclosures.

**ITEM 18: PUBLIC FIGURES**

We do not currently use any public figures to promote our franchise.

**ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Sangyun Shin, 1749 Milwaukee Ave, Glenview, Illinois 60025, and (201) 957 – 6605, 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 2023 to 2025

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the<br>Start of the Year | Column 4<br>Outlets at the<br>End of the Year | Column 5<br>Net Change |
|-------------------------|------------------|-------------------------------------------------|-----------------------------------------------|------------------------|
| Franchised              | 2023             | 10                                              | 24                                            | +14                    |
|                         | 2024             | 24                                              | 37                                            | +13                    |
|                         | 2025             | 37                                              | 30                                            | -7                     |
| Company –<br>Owned*     | 2023             | 2                                               | 2                                             | 0                      |
|                         | 2024             | 2                                               | 4                                             | +2                     |
|                         | 2025             | 4                                               | 4                                             | 0                      |
| Total Outlets           | 2023             | 12                                              | 26                                            | +14                    |
|                         | 2024             | 26                                              | 41                                            | +15                    |
|                         | 2025             | 41                                              | 34                                            | -7                     |

Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Years 2023 to 2025

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| New York          | 2023             | 1                               |
|                   | 2024             | 0                               |
|                   | 2025             | 0                               |
| Total             | 2023             | 1                               |
|                   | 2024             | 0                               |
|                   | 2025             | 0                               |

Table No. 3  
Status of Franchised Outlets  
For Years 2023 to 2025

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets<br>at Start<br>of Year | Column 4<br>Outlets<br>Opened | Column 5<br>Terminations | Column 6<br>Non-<br>renewals | Column 7<br>Reacquired<br>by<br>Franchisor | Column 8<br>Ceased<br>Operations<br>-<br>Other<br>Reasons | Column 9<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|--------------------------------------------|-------------------------------|--------------------------|------------------------------|--------------------------------------------|-----------------------------------------------------------|----------------------------------------------|
| Illinois          | 2023             | 4                                          | 6                             | 1                        | 0                            | 0                                          | 0                                                         | 9                                            |
|                   | 2024             | 9                                          | 3                             | 0                        | 0                            | 0                                          | 0                                                         | 12                                           |
|                   | 2025             | 12                                         | 0                             | 4                        | 0                            | 0                                          | 0                                                         | 8                                            |
| Indiana           | 2023             | 0                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                            |
|                   | 2024             | 1                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                            |
|                   | 2025             | 1                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                            |
| Maryland          | 2023             | 1                                          | 0                             | 1                        | 0                            | 0                                          | 0                                                         | 0                                            |
|                   | 2024             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                            |

|                |      |    |    |   |   |   |   |    |
|----------------|------|----|----|---|---|---|---|----|
|                | 2025 | 0  | 0  | 0 | 0 | 0 | 0 | 0  |
| Massachusetts  | 2023 | 1  | 3  | 0 | 0 | 0 | 0 | 4  |
|                | 2024 | 4  | 0  | 0 | 0 | 0 | 0 | 4  |
|                | 2025 | 4  | 0  | 0 | 0 | 0 | 0 | 4  |
| Nevada         | 2023 | 0  | 0  | 0 | 0 | 0 | 0 | 0  |
|                | 2024 | 0  | 1  | 0 | 0 | 0 | 0 | 1  |
|                | 2025 | 1  | 0  | 0 | 0 | 0 | 0 | 1  |
| New Hampshire  | 2023 | 0  | 0  | 0 | 0 | 0 | 0 | 0  |
|                | 2024 | 0  | 1  | 0 | 0 | 0 | 0 | 1  |
|                | 2025 | 1  | 0  | 0 | 0 | 0 | 0 | 1  |
| New Jersey     | 2023 | 0  | 2  | 0 | 0 | 0 | 0 | 2  |
|                | 2024 | 2  | 3  | 0 | 0 | 0 | 0 | 5  |
|                | 2025 | 5  | 0  | 2 | 0 | 0 | 0 | 3  |
| New York       | 2023 | 3  | 0  | 0 | 0 | 0 | 0 | 3  |
|                | 2024 | 3  | 4  | 0 | 0 | 0 | 0 | 7  |
|                | 2025 | 7  | 0  | 0 | 0 | 0 | 0 | 7  |
| North Carolina | 2023 | 0  | 1  | 0 | 0 | 0 | 0 | 1  |
|                | 2024 | 1  | 0  | 0 | 0 | 0 | 0 | 1  |
|                | 2025 | 1  | 0  | 0 | 0 | 0 | 0 | 1  |
| Pennsylvania   | 2023 | 1  | 1  | 0 | 0 | 0 | 0 | 2  |
|                | 2024 | 2  | 0  | 0 | 0 | 0 | 0 | 2  |
|                | 2025 | 2  | 0  | 1 | 0 | 0 | 0 | 1  |
| Rhode Island   | 2023 | 0  | 1  | 0 | 0 | 0 | 0 | 1  |
|                | 2024 | 1  | 0  | 0 | 0 | 0 | 0 | 1  |
|                | 2025 | 1  | 0  | 0 | 0 | 0 | 0 | 1  |
| Virginia       | 2023 | 0  | 1  | 0 | 0 | 0 | 0 | 1  |
|                | 2024 | 1  | 1  | 0 | 0 | 0 | 0 | 2  |
|                | 2025 | 2  | 0  | 0 | 0 | 0 | 0 | 2  |
| Total          | 2023 | 10 | 16 | 2 | 0 | 0 | 0 | 24 |
|                | 2024 | 24 | 13 | 0 | 0 | 0 | 0 | 37 |
|                | 2025 | 37 | 0  | 7 | 0 | 0 | 0 | 30 |

Table No. 4  
Status of Company Owned\* Outlets  
For Years 2023 to 2025

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets<br>at Start<br>of Year | Column 4<br>Outlets<br>Opened | Column 5<br>Outlets<br>Reacquired<br>from<br>Franchisees | Column 6<br>Outlets<br>Closed | Column 7<br>Outlets Sold<br>to<br>Franchisees | Column 8<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|--------------------------------------------|-------------------------------|----------------------------------------------------------|-------------------------------|-----------------------------------------------|----------------------------------------------|
| Illinois          | 2023             | 2                                          | 0                             | 0                                                        | 0                             | 0                                             | 2                                            |
|                   | 2024             | 2                                          | 2                             | 0                                                        | 0                             | 0                                             | 4                                            |
|                   | 2025             | 4                                          | 0                             | 0                                                        | 0                             | 0                                             | 4                                            |
| Total             | 2023             | 2                                          | 0                             | 0                                                        | 0                             | 0                                             | 2                                            |
|                   | 2024             | 2                                          | 2                             | 0                                                        | 0                             | 0                                             | 4                                            |
|                   | 2025             | 4                                          | 0                             | 0                                                        | 0                             | 0                                             | 4                                            |

Table No. 5  
Projected Openings as of December 30, 2025

| Column 1<br>State | Column 2<br>Franchise<br>Agreements Signed<br>But Outlet Not<br>Opened | Column 3<br>Projected New<br>Franchised Outlets in<br>the Next Fiscal Year | Column 4<br>Projected New Company<br>Owned Outlets in the<br>Next Fiscal Year |
|-------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| New Jersey        | 1                                                                      | 1                                                                          | 0                                                                             |
| Pennsylvania      | 1                                                                      | 0                                                                          | 0                                                                             |
| Texas             | 1                                                                      | 0                                                                          | 0                                                                             |
| Total             | 3                                                                      | 1                                                                          | 0                                                                             |

\* Company-owned stores are operated by affiliated entities.

Exhibit E lists the location of each KongDog franchised outlet in our System.

During our last fiscal year, no franchisee has had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with us within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisee has signed confidentiality clauses during the last three years.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

**ITEM 21: FINANCIAL STATEMENTS**

Our audited financial statements for the fiscal years ended December 31, 2025, December 31, 2024, and December 31, 2023 are included in Exhibit C.

Our fiscal year end is December 31<sup>st</sup>.

**ITEM 22: CONTRACTS**

The following contracts are attached to this Disclosure Document in the following order.

1. Franchise Agreement with Attachments – Exhibit B
2. General Release – Exhibit G
3. Franchisee Acknowledgment Statement – Exhibit H

**ITEM 23: RECEIPT**

A receipt in duplicate is included at the end of this Disclosure Document. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Sangyun Shin, 4320 Regency Drive Glenview, IL 60025.

## EXHIBIT A

### LIST OF STATE FRANCHISE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

| <b>State</b> | <b>State Agency</b>                                                                                                                                                                                                        | <b>Agent for Service of Process</b>                                                                  |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| CALIFORNIA   | Commissioner Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West 4 <sup>th</sup> Street, Suite 750<br>Los Angeles, CA 90013<br>(213) 576-7505<br>Toll-free (866-275-2677) | Commissioner of Financial Protection and Innovation                                                  |
| CONNECTICUT  | State of Connecticut<br>Department of Banking<br>Securities & Business Investments Division<br>260 Constitution Plaza<br>Hartford, CT 06103-1800<br>(860) 240-8230                                                         | Banking Commissioner                                                                                 |
| HAWAII       | Business Registration Division<br>Department of Commerce and Consumer Affairs<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>(808) 586-2722                                                                     | Commissioner of Securities of the State of Hawaii                                                    |
| ILLINOIS     | Office of Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465                                                                                                     | Illinois Attorney General                                                                            |
| INDIANA      | Indiana Secretary of State<br>Securities Division<br>302 West Washington St., Room E-111<br>Indianapolis, IN 46204<br>(317) 232-6681                                                                                       | Indiana Secretary of State<br>201 State House<br>Indianapolis, IN 46204                              |
| MARYLAND     | Office of the Attorney General<br>Division of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360                                                                                               | Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360 |
| MICHIGAN     | Michigan Department of Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>670 Law Building<br>Lansing, MI 48913<br>(517) 373-7117                                                         | Michigan Department of Commerce, Corporations and Securities Bureau                                  |

| State        | State Agency                                                                                                                                                                                                                | Agent for Service of Process                                                                                                  |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| MINNESOTA    | Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500                                                                                                   | Minnesota Commissioner of Commerce                                                                                            |
| NEW YORK     | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21 <sup>st</sup> FL<br>New York, NY 10005<br>212-416-8222                                                                                             | Secretary of State<br>99 Washington Avenue<br>Albany, NY 12231                                                                |
| NORTH DAKOTA | North Dakota Insurance & Securities Department<br>600 East Boulevard Avenue, Dept. 401 (5 <sup>th</sup> Floor)<br>Bismarck, ND 58505<br>(701) 328-2910                                                                      | North Dakota Insurance Commissioner                                                                                           |
| OREGON       | Department of Consumer and Business Services<br>Division of Finance and Corporate Labor and Industries Building<br>Salem, Oregon 97310<br>(503) 378-4387                                                                    | Director of the Department of Consumer and Business Services                                                                  |
| RHODE ISLAND | Department of Business Regulation<br>Division of Securities<br>1511 Pontiac Avenue, Building 69-1<br>Cranston, RI 02920<br>(401) 462-9585                                                                                   | Director of Rhode Island<br>Department of Business Regulation                                                                 |
| SOUTH DAKOTA | Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-3563                                                                                                         | Director of Insurance-Securities Regulation                                                                                   |
| VIRGINIA     | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9 <sup>th</sup> Floor<br>Richmond, VA 23219<br>(804) 371-9051                                                       | Clerk of State Corporation Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, VA 23219<br>(804) 371-9733 |
| WASHINGTON   | <u>Mailing</u> - Department of Financial Institutions<br>PO Box 41200<br>Olympia, WA 98504-1200<br><u>Overnight</u> - Department of Financial Institutions<br>150 Israel Rd SW<br>Tumwater, WA 98501-6456<br>(360) 902-8760 | Department of Financial Institutions<br>150 Israel Rd SW<br>Tumwater, WA 98501-6456                                           |
| WISCONSIN    | Wisconsin Securities Commissioner<br>Securities and Franchise Registration<br>345 W. Washington Avenue<br>Madison, WI 53703<br>(608) 266-8559                                                                               | Commissioner of Securities of Wisconsin                                                                                       |

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

**KONGDOG FRANCHISING INC.  
FRANCHISE AGREEMENT**

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**LIST OF ATTACHMENTS**

- ATTACHMENT 1: Trademarks
- ATTACHMENT 2: Territory Description and Franchised Business Address
- ATTACHMENT 3: Authorization Agreement Automatic Deposits (ACH Withdrawals)
- ATTACHMENT 4: Conditional Assignment of Lease
- ATTACHMENT 5: Statement of Ownership Interests in Franchisee
- ATTACHMENT 6: Spouse Guaranty
- ATTACHMENT 7: Confidentiality and Non-Compete Agreement
- ATTACHMENT 8: Internet Advertising, Social Media, and Telephone Account Agreement
- ATTACHMENT 9: Provisions Applicable to SBA Financing

**THIS FRANCHISE AGREEMENT** (this “Agreement”) is being entered into this day of \_\_\_\_\_, (the “Effective Date”) by and between KongDog Franchising Inc., an Illinois corporation with its principal place of business at 4320 Regency Drive, Glenview, IL 60025 (herein “Franchisor) and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ and \_\_\_\_\_’s principals \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“Principal(s)"). \_\_\_\_\_ and Principal(s) shall be individually and collectively referred to, and each is, the “Franchisee”.

## RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established a distinctive quick serve restaurant which features, among other things, specialty corndogs, egg dishes, bubble tea, and other food options from a modern location, using Franchisor’s designs, and using Franchisor’s confidential operations manual (“Manual”) of business practices and policies, and Franchisor’s distinctive, décor, fixtures and furnishings, operations methods, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the “System”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the marks KongDog service mark, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

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

Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, service, and appearance, and the necessity of operating the business franchised hereunder in conformity with Franchisor’s standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

**1. RECITATIONS.** The Recitations set out above form part of this Agreement.

**2. GRANT OF FRANCHISE.** Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions contained in this Agreement, the license to operate an KongDog franchise (the “Franchised Business”), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further developed by Franchisor from time to time. This grant applies only to a single location within a territory that is designated in Attachment 2 attached hereto and incorporated herein (the “Territory”).

### 3. TERRITORY.

- 3.1 Territory. This Agreement grants Franchisee the right to operate the Franchised Business at a single location within the Territory. Subject to Section 3.2 below, Franchisor agrees that during the Term of this Agreement, Franchisor will not, and Franchisor will not permit any other KongDog franchisees, to operate a franchised KongDog location in the Territory using the same Marks as licensed to Franchisee in this Agreement so long as Franchisee is not in default under this Agreement or this Agreement has not been terminated. Except as otherwise specified in this Agreement, Franchisor reserves the right to open, operate or franchise KongDog franchises around, bordering and adjacent to the Territory. Franchisee will be selling its products and services from a single location that will be determined by Franchisee with Franchisor's prior written approval, which may be withheld or denied in Franchisor's sole discretion. Except as set forth in this Agreement, Franchisee is prohibited from selling and soliciting customers outside of the Territory and from alternative methods of distribution as more fully specified herein.
- 3.2 Reservation of Rights. Franchisee understands and agrees that all rights to any businesses, other than as specified in this Agreement, are fully reserved to Franchisor within or outside of the Territory. By way of example only, Franchisor reserves the rights to offer (i) other products or services not offered under the Marks, (ii) other food concepts under the Marks or other trademarks, including licensing Franchisor's designs for use in other formats and (iii) products or services through any channel in the Territory other than a dedicated KongDog, such as non-traditional retail locations, including, but not limited to, malls, transportation centers, limited access venues, and higher education campuses and the Internet. ("Alternate Distribution Channels"). Franchisee will receive no compensation for Franchisor's sales through Alternate Distribution Channels made within the Territory. Franchisee agrees that such implementation of Franchisor's rights pursuant to this Section 3.2 is deemed not to impair or injure Franchisee's rights pursuant to Section 2 hereof.
- 3.3 Solicitation and Sales Restrictions. Franchisee must target Franchisee's advertising within the Territory and may only solicit sales from customers located within the Territory. Notwithstanding, Franchisee may engage in sales by delivery outside of the Territory, with Franchisor's prior consent. Franchisee is prohibited from selling and soliciting customers through Alternate Distribution Channels, provided that Franchisee may fulfill at the Franchised Business premises orders received through Franchisor's approved online ordering platform or approved third-party delivery applications.

4. **TERM.** Unless terminated earlier in accordance with the terms set forth in this Agreement, this Agreement and the Franchise granted hereunder shall commence upon the Effective Date set forth above, and terminate on the date that is ten (10) years following the Opening Date, as defined in Section 8 hereof (the "Term").

5. **SUCCESSOR AGREEMENT OPTION.** Subject to the terms and conditions of this Agreement, Franchisee shall have the right, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Territory is located (the "Successor Franchise Agreement") for one (1) **additional terms equal to ten (10) years. The term of such Renewal Franchise Agreement shall commence upon the date of expiration of the immediately preceding term. Franchisee shall be charged a successor agreement fee of an amount equal to fifty percent (50%) of the then current initial franchise fee** herein referred to as the ("Renewal Fee"). In the event Franchisee is not in full compliance with Section 5.2 below at the time Franchisee notifies Franchisor of Franchisee's desire to enter

into a successor agreement, it shall be in Franchisor's sole and absolute discretion whether to permit a successor term.

5.1 Form and Manner of Exercise. If Franchisee desires to exercise Franchisee's option to enter into a Renewal Franchise Agreement, it shall be done in the following manner:

- 5.1.1 Not less than six (6) months prior to the expiration of the Term of this Agreement, Franchisee shall request from Franchisor in writing, a copy of Franchisor's then current Disclosure Document (including Franchisor's then current franchise agreement).
- 5.1.2 Franchisee must execute and return to Franchisor all required documents, including any and all ancillary documents, within thirty (30) days after receipt by Franchisee of a copy of Franchisor's then current Disclosure Document.
- 5.1.3 The Successor Franchise Agreement shall supersede this Agreement in all respects, and Franchisee understands and acknowledges that the terms of such new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees.
- 5.1.4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to this Paragraph 5 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise Franchisee's option to enter into the Successor Franchise Agreement, and such failure shall cause Franchisee's right and option to automatically lapse and expire, without further notice by Franchisor.
- 5.1.5 Franchisee acknowledges that the initial Term of this Agreement provides Franchisee more than a sufficient opportunity to recoup Franchisee's investment in the Franchise, as well as a reasonable return on such investment.

5.2 Conditions of renewal. Franchisee's right to enter into a Successor Franchise Agreement is conditioned upon the following:

- 5.2.1 Franchisee shall be in full compliance with this Agreement and shall have materially performed Franchisee's obligations under this Agreement, the Manual and under all other agreements that may be in effect between Franchisee and Franchisor, including but not limited to all monetary obligations.
- 5.2.2 Franchisee shall not have committed three (3) or more events constituting default during the then current Term of this Agreement, whether or not such defaults were cured.
- 5.2.3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.
- 5.2.4 Franchisee shall have obtained the right to continue to occupy the premises of the Franchised Business following the expiration of the Term hereof for the full term of the Successor Franchise Agreement and/or have received Franchisor's approval regarding locating the Franchised Business at a new location.
- 5.2.5 Franchisee shall execute Franchisor's then-current general release of all claims Franchisee may have against KongDog Franchise, Inc. its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their

corporate and/or individual capacities. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.

5.2.6 Franchisee performs such remodeling, repairs, replacements and redecoration as Franchisor may require in order to cause the Franchised Business premises, equipment, fixtures, furnishings and furniture to conform to the plans and specifications being used for new or remodeled franchised businesses on the Successor Franchise Agreement.

5.2.7 Franchisee shall pay the required Successor Agreement Fee and sign the Successor Franchise Agreement.

5.3 Notice Required by Law. If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law. If Franchisor is not offering new KongDog franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then current form of Renewal Franchise Agreement at the time Franchisee advises Franchisor pursuant to Paragraph 5.2 hereof that Franchisee desires to renew, Franchisor may, in Franchisor's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate renewal term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then current form of Renewal Franchise Agreement. Any timeframes specified in this Paragraph 5 shall be inclusive of any state mandated notice periods.

5.4 Additional Reservation of Rights. Notwithstanding anything herein to the contrary, Franchisor reserves the right not to renew this Franchise as a result of a decision to withdraw from the Territory in which Franchisee's Franchised Business is located.

## 6. FEES.

6.1 Initial Franchise and Royalty Fee. As part of the consideration for the right to operate the Franchise granted herein, Franchisee shall pay to Franchisor the following fees:

6.1.1 Initial Franchise Fee. Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee of Fifty Thousand Dollars (\$50,000.00) (the "Initial Fee"). **The Initial Franchise Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.** Franchisee shall pay the full amount of the Initial Fee to Franchisor upon Franchisee's execution of this Agreement.

6.1.2 Royalty Fee. Franchisee agrees to pay Franchisor, throughout the Term, a royalty fee equal to six percent (6%) of the Gross Revenue, as hereinafter defined, realized from the Franchised Business and from any other revenues received using Franchisor's methods, operations and/or trade secrets (the "Royalty Fee"). The term "Gross Revenue" includes all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited, any and all other revenues received using Franchisor's methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. Gross Revenue

shall include Franchisee's revenues from the sale of alcoholic beverages. Gross Revenue shall include the full amount payable by your customers, without deduction for your delivery costs or for other write-offs; however, Gross Revenue shall not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, or (iii) properly documented promotional discounts (i.e., coupons). Gross Revenue does not include gift card purchases, at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card.

- 6.1.3 Gross Revenue Reports. Franchisee shall, each 5<sup>th</sup> of the month for the previous month, furnish Franchisor with a report showing Franchisee's Gross Revenue at or from the Franchised Business and/or made pursuant to the rights granted hereunder during such period (the "Gross Revenue Report"). The Gross Revenue Report shall be in such form and shall contain such information as Franchisor may from time to time prescribe. Franchisor reserves the right to establish a point-of-sale system ("POS System") that Franchisor may require Franchisee to use in the operation of the Franchised Business. At Franchisor's option, Franchisee shall submit the Gross Revenue Report by an electronic transfer of data via the POS System at the times and interims then specified by Franchisor.
- 6.1.4 Method of Payment. Franchisee shall, together with the submission of the Gross Revenue Report, pay Franchisor the Royalty Fee, the Brand Fund Contribution, as defined and more particularly described in Article 13, and the Technology Fee, as defined and more particularly described in Section 6.6, then due. At Franchisor's request, Franchisee must execute documents, including but not limited to, the Authorization attached as Attachment 3, that allow Franchisor to automatically take the Royalty Fee and Brand Fund Contribution due as well as other sums due Franchisor, from business bank accounts via electronic funds transfers. Franchisee's failure to allow electronic funds transfers on an ongoing basis is a material breach of this Agreement.
- 6.2. Late Fee. If the Royalty Fee, Brand Fund Contribution, or any Gross Revenue Reports are not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of One Hundred Dollars (\$100.00). This late fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay the Royalty Fee, the Brand Fund Contribution, and/or submit Gross Revenue Reports in accordance with the terms of this Agreement.
- 6.3. Interest. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of 18% per annum or at the highest rate permitted by law, whichever is lower.
- 6.4. Non-Sufficient Funds Fee. In the event any of Franchisee's checks are returned, or an electronic funds transfer from Franchisee's bank account is denied, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, a non-sufficient funds fee of Seventy-Five Dollars (\$75.00) per occurrence. This non-sufficient funds fee is reasonably related to Franchisor's costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement.
- 6.5. Taxes. If any withholding, sales, excise, use, privilege or other tax (excepting Franchisor's income tax obligation) ("Tax Charge") is imposed or levied by any government or governmental agency on Franchisor or Franchisee for any fee due and payable under this Agreement, including but not

limited to, the Royalty Fee, System Technology Fee, and/or Brand Fund Contribution (for the purpose of this Section 6.5, such fees shall be referred to as a “Taxable Payment”), then Franchisee shall pay Franchisor a sum equal to the amount of the Tax Charge, together with the Taxable Payment, such that the net sum received by Franchisor equals the amount of the Taxable Payment without deduction, withholding, payment or application of the Tax Charge

- 6.6 Technology Fee. Franchisee agrees to pay Franchisor, throughout the term of the agreement, a technology fee of Two Hundred and Fifty Dollars (\$250.00) (“Technology Fee”). Franchisor reserves the right in Franchisor’s sole discretion and at any time and from time to time, to increase the amount of the Technology Fee in accordance with increases from third party vendors and service providers. Payments will be made in the same manner and time as the Royalty Fees. The Technology Fee shall be used for software license and/or maintenance fees, website hosting and/or maintenance, Franchise web portal access, social media activity and marketing on your behalf, or other services as developed in the future.

## **7. TRAINING.**

- 7.1 Initial Training Program. Franchisee (specifically including all Franchisee’s principals) shall attend and complete to Franchisor’s sole and absolute satisfaction, Franchisor’s initial training program (“Initial Training Program”) at least ten (10) days (but no more than six (6) weeks, prior to the opening of the Franchised Business. The Initial Training Program consists of a seven (7)-day course conducted at one of Franchisor’s headquarters and/or affiliated owned or franchised outlet. Franchisor reserves the right to designate an alternate location for any component of the Initial Training Program. Franchisee must at all times during the term of this Agreement have principals who have successfully completed the Initial Training Program to Franchisor’s sole and complete satisfaction. No charge shall be made for up to three (3) principals and one (1) General Manager (as defined below) to take the Initial Training Program prior to opening the Franchised Business (“Initial Trainees”). Notwithstanding the foregoing, Franchisee shall be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals and wages.
- 7.2 Satisfactory Completion. Franchisor shall determine, in Franchisor’s sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Training Program, which shall include mastery of post-course applications. If the Initial Training Program is not satisfactorily completed by the Initial Trainees, or if Franchisor, in Franchisor’s reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial Training Program cannot be satisfactorily completed by Franchisee and Franchisee’s Principal(s), Franchisor may terminate this Agreement.
- 7.3 Opening Assistance. During the opening of the Franchised Business, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor. The trainer will provide on-site opening training, supervision, and assistance to Franchisee for up to three (3) days at no charge to Franchisee.
- 7.4 Additional Training. Franchisor may offer mandatory and/or optional additional training programs from time to time. If required by Franchisor, Franchisee, or Franchisee’s principals shall participate in the following additional training:

(i) on-going training at a location designated by Franchisor.

(ii) a national business meeting or annual convention at a location designated by Franchisor.

The total amount of required ongoing training and/or annual meetings will be three (3) days or less per year. Franchisor reserves the right to impose a reasonable fee for all additional training programs. The current rate for an annual meeting is \$1,000 per person which may increase with facility cost increases. Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages. Franchisee's failure to attend and/or complete mandatory additional training or failure to attend Franchisor's national business meeting or annual convention is a default of this Agreement. Franchisee and Principal(s) shall be required to obtain any missed mandatory additional training at a location Franchisor designates. Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Franchisee's principal and Franchisor's training personnel. Franchisee shall pay to Franchisor any incurred expenses by Franchisor's training personnel within ten (10) days of Franchisor's billing thereof to Franchisee.

- 7.5 On-Site Remedial Training. Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's personnel at the Franchised Business location. For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.
- 7.6 Counseling and Assistance. In addition to visits by Franchisor's field representatives, as Franchisor deems appropriate, Franchisor shall, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Franchised Business pursuant to Section 7.5, furnish consultation and assistance to Franchisee, either in person or by telephone, fax, electronic mail or postal service, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Franchised Business, including consultation and advice regarding employee training, marketing, operation issues, purchasing and inventory control, bookkeeping and System improvements.

## **8. FRANCHISED BUSINESS SITE REQUIREMENTS.**

### **8.1 Site Selection.**

- 8.1.1 Franchisee assumes all cost, liability, expense and responsibility for obtaining and developing a site for the Franchised Business within the Territory and for constructing and equipping the Franchised Business at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Business unless the site location is approved by Franchisor. While Franchisor may render assistance to Franchisee in the selection of a site, as set forth in Section 8.1.2 below, Franchisee has sole responsibility for procuring and developing a site for the Franchised Business and Franchisee may and is encouraged to consult with professionals of Franchisee's choosing in discharging such responsibility. Franchisee acknowledges that Franchisor's approval of a prospective site location is permission only, does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Franchised Business operated at that site will be profitable or otherwise successful, and

cannot, and does not, create a liability for Franchisor. Franchisee releases Franchisor from any claims over the site location selection and evaluation by Franchisor, and Franchisee shall hold Franchisor harmless with respect to Franchisee's selection of the site for the Franchisee's Franchised Business.

- 8.1.2 Franchisee shall locate a site that satisfies the site selection guidelines provided to Franchisee by Franchisor and shall submit to Franchisor, in writing, a description of the site, together with written certification the site complies with Franchisor's site selection guidelines, and such other information and materials as Franchisor may reasonably require. Recognizing that time is of the essence, Franchisee shall submit such information and materials for a proposed site to Franchisor for its consent no later than ninety (90) days after the execution of this Agreement. Franchisor shall have ten (10) business days after receipt of this information and materials to consent, in its sole and absolute discretion, to the proposed site as the location for the Franchised Business. If Franchisor fails to respond to Franchisee's submission within ten (10) business days, such proposed site shall be deemed "disapproved". No site may be used for the location of the Franchised Business unless it is consented to in writing by Franchisor.
- 8.1.3 Within fifteen (15) days after Franchisor has consented to the site for the Franchised Business, Franchisee shall submit to Franchisor a copy of the proposed lease therefor, together with a lease review fee of Five Hundred Dollars (\$500.00), for Franchisor's review thereof prior to its execution. Any lease must include Franchisor's Collateral Assignment of Lease Agreement, a copy of which is attached hereto as Attachment 4, and other brand protection provisions as may be required by Franchisor. Franchisor's lease review and consent is limited to provisions for the benefit of the System and Franchisor only. Franchisor does not review and/or negotiate the proposed lease on Franchisee's behalf or for Franchisee's benefit. Within fifteen (15) days after Franchisor's lease review and consent (or such longer period as Franchisor consents to in writing), Franchisee shall execute the lease and obtain physical possession of the premises. Failure by Franchisee to acquire the site for the Franchised Business within the time and in the manner required herein shall constitute a material event of default under this Agreement
- 8.1.4 After a location for the Franchised Business is consented to by Franchisor and acquired by Franchisee pursuant to this Agreement, the location shall be set forth on Attachment 2 of this Agreement, which location and attachment shall be incorporated herein and made a part hereof.

## 8.2 Construction.

- 8.2.1 Franchisee shall be responsible for obtaining clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants or regulations relating to the Franchised Business premises; including but not necessarily limited to restrictions on noise, required cross-ventilation, storage use, and disposal of food products. Prior to beginning the construction of the Franchised Business, Franchisee shall (a) obtain all permits, licenses, insurance and certifications required for the lawful construction or remodeling and operation of the Franchised Business, including, but not limited to, permits for the installation of signage, and (b) certify in writing to Franchisor that all required approvals, clearances, permits, insurance and certifications have been obtained.

- 8.2.2 During the time of construction or remodeling, Franchisee shall provide Franchisor, or its designated representative, with such periodic reports regarding the progress in obtaining all licenses and permits; and of the construction or remodeling as may be reasonably requested by Franchisor or its representative. In addition, Franchisor or its representative may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. At least thirty (30) days prior to completion of the construction or remodeling, Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling. Within a reasonable time after the date of completion of construction or remodeling, Franchisor or its representative may, at its option, conduct an inspection of the completed Franchised Business.
- 8.2.3 Franchisee acknowledges and agrees that it will not open the Franchised Business for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.
- 8.3 Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Upon Franchisee's compliance with the conditions stated below, Franchisee shall open the Franchised Business and commence business within twelve (12) months after Franchisee has this Agreement, unless Franchisee obtains a written extension of such time period from Franchisor. The date the Franchised Business opens for business to the public shall be defined herein as the "Opening Date". Prior to the Opening Date, Franchisee shall (i) complete all exterior and interior preparations for the Franchised Business, including installation and cleaning of equipment, fixtures, furnishings and signs, in accordance with System requirements and the plans and specifications consented to by Franchisor, (ii) satisfactorily complete Franchisor's Initial Training Program, as further set forth in Article 7, (iii) hire and train staff, if required, and (iv) obtain all required licenses to operate the Franchised Business. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Franchised Business and commence business (i) in accordance with the foregoing and (ii) within twelve (12) months following the date of this Agreement, unless otherwise extended by Franchisor, shall be deemed a material event of default under this Agreement.
- 8.4 No Relocation. Franchisee's rights to operate the Franchised Business shall be limited to the location set forth in Attachment 2, and no other. Franchisee shall not relocate the Franchised Business at any time without Franchisor's written approval, which approval shall be granted only in the sole and complete discretion of Franchisor, and if permitted, shall be at Franchisee's sole expense, and subject to the following:
- 8.4.1 Franchisee shall construct and develop the new premises to conform to Franchisor's then-current specifications for design, appearance, and leasehold improvements for new Franchised Businesses;
- 8.4.2 Franchisee shall remove any signs or other property from the original Franchised Business location which identified the original Franchise Business location as part of the System;
- 8.4.3 Franchisee agrees that, during the build-out, decorating and furnishing of the new location, and at Franchisor's sole and absolute discretion: (i) the term of this Agreement shall not be abated, and (ii) Franchisee shall remain liable to pay a minimum Royalty Fee and Brand Fund Contribution that is equal to the average amount paid by Franchisee during the four (4) calendar quarters immediately preceding the date that operations cease or the shorter

period that Franchisee had been in business at the original Franchised Business location;  
and

8.4.4 The parties shall amend Attachment 2 to reflect the address of the new Franchised Business location.

8.4.5 If a relocation site acceptable to Franchisor is not identified within ninety (90) days following Franchisee's request to relocate, either party may terminate this Agreement.

## **9. MAINTENANCE AND IMPROVEMENT OF THE PREMISES AND SYSTEM.**

9.1 Maintenance of Franchised Business Site and Equipment. Franchisee shall equip and maintain the Franchised Business premises, equipment, and all required computer hardware and software and related accessories to the standards of décor, sanitation, repair and condition required by Franchisor, which standards are specified in the Manual and other written directives, standards and specifications. Franchisee, at Franchisee's expense, shall make such additions, alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repainting and repairs or replacement of worn or impaired décor, materials, furniture, fixtures, equipment, and signage as Franchisor may direct.

9.2 Inspections. Franchisee shall operate and maintain the Franchised Business and Franchised Business premises in conformance with all regulations and best practices for food and beverage storage, handling, preparation, service and disposal and in a manner that will insure the highest possible rating for businesses of like kind from the governmental authorities that may inspect such businesses in the Territory. Franchisee shall submit to Franchisor a copy of any inspection reports. It shall be a default of this Agreement if, upon inspection, Franchisee does not obtain such rating or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by the System, and Franchisor may, at its option, terminate this Agreement.

9.3 Equipment and Technology Updates. Franchisee shall make any and all upgrades to equipment, including but not limited to, food preparation, design, display and storage equipment, POS Systems, and computer hardware and software, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.

9.4 Trade Dress Modifications.

9.4.1 Franchisee is aware that to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new or modified exterior premises designs, new interior decors, new color schemes, new or modified marks, new or modified interior or exterior signage, and new furnishings (collectively, "Trade Dress Modifications").

9.4.2 Franchisee shall refurbish the Franchised Business location or modify identifying elements of the Franchised Business, at Franchisee's sole expense, as required by Franchisor, but not more frequently than every five (5) years, to conform to Trade Dress Modifications. This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements. Notwithstanding the foregoing restriction on the frequency of Trade Dress Modifications, Franchisee, upon notice by Franchisor and in accordance with Section 14.6

hereof, shall immediately discontinue the use of any Mark that is no longer desirable or available to Franchisor and substitute a different Mark or Marks as Franchisor directs.

9.4.3 Franchisee will accept, use, and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution hereof.

9.5 No Liability/Waiver of Claims. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such or seeking expenses, losses or damages caused thereby. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

9.6 Franchisee Advisory Council. Franchisor reserves the right to create (and if created the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas. In the event a franchisee advisory council is created, Franchisor may invite Franchisee to participate in council-related activities and meetings, which invitation may be based on a franchisee's level of success, superior performance and profitability.

## **10. FRANCHISOR'S OBLIGATIONS.**

Franchisor and/or its designated representative will provide the services described below:

10.1 Site Selection Guidelines. Site selection criteria, as Franchisor may deem advisable. Franchisor shall also approve the site in accordance with Section 8.1.2.

10.2 Construction. Criteria and specifications for an KongDog. Such criteria and specifications include, but are not necessarily limited to, criteria with respect to required food storage and preparation and ventilation systems. Franchisee shall independently, and at Franchisee's expense, have such criteria and specifications incorporated into the construction of the Franchised Business in accordance with Article 8.

10.3 Manual. Access to the Confidential Operations Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion.

10.4 Inspection. Inspection of the Franchised Business and evaluations of the products sold and services rendered therein whenever reasonably determined by Franchisor.

10.5 Pre-Opening Requirements. A written list of equipment, fixtures, furnishings, signage, supplies and products that will be required and/or recommended to open the Franchised Business for business.

10.6 Advertising Materials. Samples or camera-ready artwork of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Franchised Business.

- 10.7 List of Supplies/Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of required and/or recommended products and services for System franchisees and a list of approved and/or recommended suppliers of such items. Franchisee acknowledges that Franchisor or Franchisor's affiliate(s) may be the sole approved supplier(s) of certain products and services that Franchisee is required to purchase to operate the Franchised Business.
- 10.8 Training. The training programs specified in Article 7 herein.
- 10.9 On-Site Assistance. On-site post-opening assistance at the Franchised Business premises in accordance with the provisions of Article 7.
- 10.10 Brand Fund. Administration of a Brand Fund in accordance with Section 13.3.

**11. FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS.**

- 11.1 Best Efforts. Franchisee, including each of Principal, covenant and agree that he or she shall make all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum sales.
- 11.2 Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and each Principal represent, warrant and covenant that:
- 11.2.1 The Franchisee entity is duly organized and validly existing under the state law of its formation;
- 11.2.2 Attachment 5 of this Agreement accurately reflects all individuals with an ownership interest, whether direct or beneficial, in the Franchisee entity;
- 11.2.3 The Franchisee entity is duly qualified and is authorized to do business in the jurisdiction of the Franchised Business premises and the Territory;
- 11.2.4 The Franchisee entity's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion;
- 11.2.5 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee; and
- 11.2.6 Any financial statements and tax returns provided to Franchisor shall be certified as true, complete, and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of the statements or returns, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities.

11.2.7 The Principal designated on Attachment 5 has full authority to communicate to Franchisor decision-making on behalf of Franchisee, notwithstanding any deadlock or tie-breaking mechanism set forth in the Franchisee entity's organizational documents ("Designated Principal"). All communications to Franchisor by the Designated Principal shall be binding upon the Franchisee entity and all Principals and such communications may be relied upon by Franchisor, without the need for independent verification. Franchisee and all Principals shall indemnify and hold harmless Franchisor from any claims arising from Franchisor's reliance on communications by the Designated Principal.

11.3 Spouse Guaranty. If any Principal is a married individual and the Principal's spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 6 hereof.

11.4 Appointment of Manager.

11.4.1 Franchisee shall designate and retain at all times a general manager ("General Manager") to direct the operation and management of the Franchised Business location. Franchisee shall designate its General Manager prior to attending the Initial Training Program. The General Manager shall be responsible for the daily operation of the Franchised Business location.

11.4.2 The General Manager shall, during the entire period he or she serves as General Manager, meet the following qualifications:

11.4.2.1 The General Manager shall meet all Franchisor's standards and criteria for such individual(s), as set forth in the Manual or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor, in its sole discretion.

11.4.2.2 The General Manager shall devote his or her full time and best efforts to the supervision and management of the Franchised Business and may not engage in any other business activity without the Franchisor's consent, which may be withheld, in Franchisor's sole discretion.

11.4.2.3 The General Manager shall satisfy the training requirements set forth in Article 7.

11.4.3 If the General Manager is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications required by this Agreement. Franchisee's replacement General Manager shall attend and satisfactorily complete the Initial Management Training Program, at Franchisee's sole cost and expense, including the payment of the then-current tuition rate therefor. Until such replacement is designated and trained, Franchisee shall provide for interim management of the Franchised Business, who shall act in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. Franchisor, in Franchisor's sole discretion, may provide interim management support and charge an additional 10% of Gross Revenue earned during the term of interim management until such General manager is properly trained or certified in accordance with Franchisor's requirements, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, and shall be withdrawn from Franchisee's designated bank account in accordance with Section 6.1.4.

- 11.5 Legal Compliance. Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules and regulations shall include, without limitation, licenses to do business, health and sanitation inspections, if and when required, fictitious name registrations, sales and other tax permits, reporting and payment of all taxes, fire and police department clearances, Americans With Disability Act compliance, compliance with all federal, state or local data privacy laws, rules, and regulations, health permits, certificates of occupancy, any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation, and compliance otherwise with all environmental laws, rules, and regulations, and any other requirement, rule, law or regulation applicable to Franchisee or in the jurisdiction of the Territory.
- 11.6 Claims and Potential Claims. Franchisee shall notify Franchisor in writing within three (3) days of any incident or injury that could lead to, or the actual commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which in any way relating to or affecting the operation or financial condition of the Franchised Business. Any and all media inquiries concerning the Franchised Business or Franchised Business premises, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium, except as directed by Franchisor.
- 11.7 Assignment of Numbers and Listings. Franchisee shall execute such forms and documents, including the Internet Advertising, Social Media, Software and Telephone Listing Agreement contained in Attachment 8 hereof, to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's telephone numbers, listings, and passwords and administrator rights for all email and social media accounts used or created by Franchisee. Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Business and all related telephone directory listings and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses, social media, or any other similar listing or usages related to the Franchised Business.
- 11.8 Access to Tax Filings. Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports related to the Franchised Business filed by Franchisee with any state or federal taxing authority.
- 11.9. Security Agreement. To secure payment of all sums owing to Franchisor from Franchisee, whether they be Royalty Fees, Brand Fund Contributions, and/or other fees, costs, damages, or reimbursements pursuant to this Agreement or any other agreement between Franchisor and Franchisee and/or Principal(s), Franchisee grants Franchisor a security interest in the Collateral (as hereafter defined) and further agrees:
- 11.9.1 The Collateral means all furniture, fixtures, equipment, signage, inventory, and supplies of the Franchised Business, wherever located, that are now owned or hereafter acquired, and any additions, substitutions, replacements, or products thereof or proceeds therefor.

- 11.9.2 This Agreement shall be deemed a security agreement, and Franchisor, in Franchisor's discretion, may file with applicable state agencies or offices this Agreement and/or one or more financing statements indicating Franchisor's secured interest in the Collateral. Franchisee shall cooperate with Franchisor and shall execute such documents as may be necessary for Franchisor to perfect its security interests.
- 11.9.3 Upon a default of this Agreement by Franchisee, all sums owing to Franchisor from Franchisee shall be immediately due and payable, and Franchisor shall have the immediate right to possession and use of the Collateral, which includes Franchisor right to enter upon any premises, without legal process, where the Collateral may be found. Franchisor further shall have all rights, options, duties, and remedies of a secured party pursuant to the Uniform Commercial Code, as adopted by the State where the Collateral is located, including the right to dispose of the Collateral in accordance therewith.
- 11.9.4 Franchisor's exercise of its rights with regard to the Collateral are in addition to and not exclusive of any other rights or remedies that Franchisor may have pursuant to this Agreement, at law, or in equity for Franchisee's breach of this Agreement.
- 11.10 Continuing Obligation. Franchisee and each Principal acknowledge and agree that the representations, warranties and covenants set forth in this Article 11 are continuing obligations of Franchisee and each Principal, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

## **12. FRANCHISEE'S OPERATIONS.**

- 12.1 Operation of Franchised Business Premises. To maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Franchised Business in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things:
- 12.1.1 Use only those furnishings, fixtures, décor, equipment, supplies, and signage that conform with Franchisor's specifications and/or which shall be purchased from only those vendors then-currently designated and approved by Franchisor. Franchisee acknowledges and agrees that: (i) Franchisor and/or Franchisor's affiliate may be a designated supplier or sole approved supplier of any product or service that Franchisee is required to lease or purchase, (ii) Franchisor and/or Franchisor's affiliate may receive payment from supplier(s) related to Franchisee's required purchases or leases, and (iii) any payments so received are for Franchisor's benefit only and may be used or applied in any manner determined by Franchisor in Franchisor's sole and absolute discretion;
- 12.1.2 Maintain and operate the Franchised Business premises in attractive condition and good repair, using Franchisee's best efforts to maintain a clean, enjoyable and inviting atmosphere therein in accordance with System standards, the Manual and all other directives and requirements of Franchisor, and do such redecoration, repairing, refurbishing and restoration as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time. Franchisee, at Franchisee's sole expense, shall cause Franchisee's equipment to be

regularly serviced in accordance with any warranty and manufacturer's guidelines and the Manual;

- 12.1.3 Procure the necessary licenses or permits to allow the operation of the Franchised Business and otherwise comply with all applicable governmental laws, ordinances, rules, and regulations including those related to health and sanitation;
- 12.1.4 Maintain sufficient inventories of ingredients and supplies, as prescribed by Franchisor;
- 12.1.5 Conduct sales in accordance with Franchisor's standards and specifications. Franchisee acknowledges and accepts that Franchisee may only engage in providing food and beverage service to end-users. Franchisee is expressly prohibited from selling products outside of the Franchised Business location, on the internet, to dealers and/or to distributors for subsequent resale, and engaging in such sales shall be a material default of this Agreement;
- 12.1.6 Employ only qualified individuals who are trained in accordance with Franchisor's standards, including but not limited to the protection of Franchisor's confidential and proprietary information, and who will at all times enhance Franchisor's brand and conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall use its best efforts to ensure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to patrons of the Franchised Business. Franchisee acknowledges and agrees that poorly trained employees, sloppy or unclean appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;
- 12.1.7 Permit Franchisor or its agents, to inspect the Franchised Business location and any services, products, or equipment, to determine whether they meet Franchisor's then-current standards, specifications, and requirements. In addition to any other remedies Franchisor may have, Franchisee shall reimburse Franchisor for Franchisor's inspection costs of any item that does not conform to the System standards and specifications;
- 12.1.8 Prominently display signs in and upon the Franchised Business premises using the Marks and/or other advertising and/or signs of such nature, form, color, number, location, and size, and containing such material, as Franchisor may from time to time reasonably direct or approve in writing; and to refrain from using any sign, advertising media, or identifying element of any kind to which Franchisor reasonably objects, including signs and advertising media which have been outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon the Franchised Business premises or elsewhere and remove any objectionable or non-approved sign, advertising media or identifying element and keep or destroy same without paying therefor or without being deemed guilty of trespass or any other tort; and
- 12.1.9 Conduct all advertising programs in a manner consistent with Franchisor's standards and specifications, in a manner satisfactory to Franchisor and that will not detract from the reputation of the System or the Marks. In particular, Franchisee shall comply with all applicable federal, state, and local telemarketing, telephone solicitation, do-not-call, text/SMS marketing, and related consumer protection laws, rules, and regulations applicable to the Franchised Business ("Telemarketing Laws"). Such Telemarketing Laws include compliance with the Federal CAN-SPAM Act's general rules for commercial email, opt-out

rules, and other communication messages and the Telephone Consumer Protection Act, as amended, and compliance with any registration, license, and/or permit requirements. Franchisor may at any time inspect, audit, and review Franchisee's advertising and telemarketing-related procedures, and Franchisee shall, at Franchisee's sole expense, implement any corrective actions that Franchisor's requires.

## 12.2 Bookkeeping and Reports.

12.2.1 Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations using the accounting procedures and chart of accounts specified by Franchisor. Franchisee agrees to purchase the POS System and other computer systems specified in Section 12.3 to maintain the records and accounts of the Franchisee to the standards of the Franchisor. Franchisee acknowledges and agrees that the financial data of Franchisee's Franchised Business (i) is owned by Franchisor, (ii) is Franchisor's proprietary information, (iii) may be published in franchise disclosure document(s) issued by Franchisor following the Effective Date hereof, and (iv) may be shared with other franchisees in the System.

12.2.2 Within thirty (30) days after the close of each calendar quarter and within ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business during said period, together with a balance sheet for the Franchised Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice. Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct.

12.2.3 The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate.

12.2.4 Franchisor reserves the right to require Franchisee to engage the services of a third-party accounting services firm, designated and approved by Franchisor, in the event that (i) Franchisee fails to keep books and records in accordance with Franchisor's standards or (ii) Franchisor, in its sole discretion, determines that use of a third-party accounting services firm by all System franchisees is beneficial to the System.

12.2.5 Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds that any Gross Revenue Report was understated by two percent (2%) or more, Franchisee shall reimburse Franchisor for the cost of such examination and pay the Franchisor the amounts due together with interest thereon at the rate provided herein. Such understatement may be considered a material default hereunder. Two (2) such understatements during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein.

## 12.3 Computer Systems.

12.3.1 Franchisee, at Franchisee's sole expense, shall install and maintain the POS System and computer hardware and software Franchisor requires for the operation of the Franchised Business and shall follow the procedures related thereto that Franchisor specifies in the Manual or otherwise in writing.

- 12.3.2 Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems and web-based payment processing accounts that permit Franchisor to independently and electronically access and retrieve any information stored in Franchisee's POS System, other computer systems and web-based payment processing accounts, including, without limitation, information concerning Gross Revenue. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to independently and electronically access and retrieve all information stored on Franchisee's POS System, other computer systems and web-based payment processing accounts.
- 12.3.3 Franchisee may capture customer data only in strict accordance with Franchisor's specifications and only using those technologies and processes that are approved by Franchisor. Franchisee shall comply with Franchisor's data privacy policies, as well as industry standards, Payment Card Industry Data Security Standard, and applicable law regarding the collection, storage, disclosure, processing, and use of customer data, including, if and when required, providing privacy notices and obtaining customer consents. Notwithstanding, Franchisee is expressly prohibited from selling, sharing, or otherwise disclosing any customer data to any third party for valuable consideration or for the purpose of performing cross-context behavioral advertising.
- 12.3.4 Any and all customer data collected or provided by Franchisee, retrieved from Franchisee's POS System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor and will be considered to be Franchisor's proprietary and Confidential Information. Franchisor has the right to use such data in any manner without compensation to Franchisee. Franchisor licenses to Franchisee the use of such data solely for the purpose of operating the Franchised Business; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement.
- 12.3.5 Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System.
- 12.3.6 Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the speed required by Franchisor from time to time. Franchisee shall utilize the electronic mail account provided by Franchisor. Franchisee shall promptly read and respond to all electronic mail related to the Franchised Business no less often than on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not establish any website or other listing on the Internet except as provided and specifically permitted herein.
- 12.3.7 Franchisor has established a website that provides information about the System and the products and services offered by the KongDog System (the "Website"). Franchisor has sole discretion and control over the Website. Franchisor shall include a listing on its Website linking Franchisee's Franchised Business location and calendar. Franchisee has no ownership or other proprietary rights to Franchisor's website and Franchisee will lose all rights to such link to Franchisee's location upon expiration or termination of this Agreement for any reason.
- 12.3.8 In addition to Franchisee's obligations pursuant to Section 6.4 hereof, Franchisee shall pay all other fees and expenses for technology required by this Agreement, including but not

limited to, the costs of computer hardware and software, regularly recurring fees for software and Internet access, license fees, help desk fees, licensing or user-based fees for a franchise portal or a benchmarking platform.

- 12.3.9 Franchisee shall abide by Franchisor's data privacy policies. Nonetheless, Franchisee is solely responsible for maintaining the security and integrity of the computer and payment processing systems used in the Franchised Business and the customer and other data stored therein. Franchisee, at Franchisee's sole cost and expense, shall implement all computer hardware, software, and internet security procedures, including required updates or upgrades thereto, that are reasonably necessary to protect Franchisee's computer and payment processing systems and the data stored therein from viruses, malware, privacy breaches, or other unauthorized access. Franchisee shall notify Franchisor immediately of any actual or suspected data breach of Franchisee's computer systems and shall, at Franchisee's sole expense, cooperate fully with Franchisor and Franchisor's counsel to investigate the data breach and implement remedial measures. Franchisee shall defend, indemnify, and hold harmless Franchisor from any and all costs, expenses, and/or attorney's fees incurred in connection with the data breach, including but not limited to, costs associated with legal notifications, credit monitoring, and crisis management services.
- 12.4 Safety and Security of Premises. Franchisee is solely responsible for the safety and security of the Franchised Business premises for Franchisee, Franchisee's personnel, customers, agents and the general public. Any suggestions by Franchisor on such matters are for guidance only and not binding on Franchisee. All matters of safety and security are within Franchisee's discretion and control, and Franchisee's indemnification obligations set forth in Section 15.6 hereof shall apply to any claims made against Franchisor regarding safety or security.
- 12.5 Prices. Subject to applicable law, Franchisor may set advertised and/or maximum prices for System services and products. Franchisee shall have the right to provide services and sell products at any price through promotional discounts. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee's sales or profits.
- 12.6 Unapproved Item/Suppliers. If Franchisee desires to purchase, lease or use any unapproved equipment, product, or service or to purchase, lease or use any equipment, product or service from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval prior to utilizing such product, service or supplier. Franchisee shall not purchase or lease any item or use any supplier until and unless such item or supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and to test or otherwise evaluate samples from the supplier. Franchisor reserves the right to charge Franchisee a fee equal to the actual cost and expense to Franchisor for inspection and testing. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within thirty (30) days after Franchisor receives all required information to evaluate the product, service or supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular item or supplier.
- 12.7 External Quality Assurance Services. Franchisor reserves the right to establish quality assurance programs conducted by third-party providers, including, but not limited to, mystery shop programs and periodic quality assurance audits ("Quality Review Services"). Upon Franchisor's

request and at Franchisee's sole cost and expense, Franchisee shall subscribe, to any such third-party provider for Quality Review Services to monitor the operations of the Franchised Business as directed by Franchisor. In the event Franchisee does not pass, in Franchisor's sole discretion, any quality assurance audit, whether conducted through a third party or by Franchisor pursuant to Section 10.4 above, on two (2) occasions in any consecutive twelve- (12) month period, Franchisor reserves the right, in addition to any other rights and remedies Franchisor may have under this Agreement, to require Franchisee to pay to Franchisor a repeated non-compliance fee equal Ten Thousand Dollars (\$10,000.00), beginning with a third such failed quality assurance audit in a consecutive twelve- (12) month period and for each subsequent failed quality assurance audit in a consecutive twelve- (12) month period.

- 12.8 Operational Standards Violation. Franchisor has established certain operational standards, as set forth in the Manual. Franchisee acknowledges that any deviation from an operational standard constitutes a violation of this Agreement and will require Franchisor to incur incalculable administrative and management costs to address such violation. Accordingly, Franchisee agrees that, to compensate Franchisor for its incalculable administrative and management costs due to Franchisee's operational standard violation, Franchisee shall pay Franchisor an Operational Standards Violation Fee, as set forth in the Manual, for each violation of an operational standard. **Franchisee hereby authorizes Franchisor to take payment of the Operational Standards Violation Fee, at Franchisor's option, through electronic funds transfer or ACH payment.** Franchisor need not give Franchisee a cure opportunity before charging the Operational Standards Violation Fee, and Franchisor's imposition of an Operational Standards Violation Fee does not preclude Franchisor from seeking injunctive relief to restrain any subsequent or continuing violation, formally defaulting and terminating this Agreement or exercising any of Franchisor's rights under this Agreement.

### 13. ADVERTISING, PROMOTIONS AND RELATED FEES.

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

#### 13.2 Local Advertising.

- 13.2.1 In addition to the ongoing advertising contributions set forth herein, and following the expenditures set forth in Section 13.2.3 below, Franchisee shall spend monthly, throughout the term of this Agreement, not less than two percent (2%) of the Franchised Business's Gross Revenue per month on advertising for the Franchised Business in the Territory ("Local Advertising"). Franchisor reserves the right to increase this minimum expenditure in its sole discretion. Franchisor may require Franchisee to allocate to an advertising cooperative, as described in Section 13.4, some or all of Franchisee's required Local Advertising expenditures. Such allocation will be in partial or full satisfaction of Franchisee's obligations pursuant to this Section 13.2.1.

13.2.2 Within ten (10) business days of Franchisor's request, Franchisee shall provide a quarterly expenditure report accurately reflecting Franchisee's Local Advertising expenditures for the preceding quarterly period. The following costs and expenditures incurred by Franchisee shall **not** be included in Franchisee's expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee's personnel to attend advertising meetings, workshops or other marketing activities; (iv) charitable, political or other contributions or donations.

13.2.3 In addition to the requirements of Section 13.2.1, during the opening of the Franchised Business, Franchisee shall conduct a grand opening marketing campaign in the Territory in which Franchisee must spend at least One Thousand Dollars (\$1,000.00) on marketing, promotion, and awareness-generating activities. Franchisor shall advise Franchisee on a grand-opening campaign, and Franchisee acknowledges that additional funds may be required for approved grand-opening activities in the Territory.

### 13.3 Brand Fund.

13.3.1 Franchisor has established a national Brand Fund (the "Brand Fund") on behalf of the System for national advertising and marketing. Franchisee is not currently required to contribute to the Brand Fund ("Brand Fund Contribution"). Franchisor reserves the right, in Franchisor's sole discretion and at any time and from time to time, to increase the amount of the Brand Fund Contribution to any amount not to exceed two percent (2%) of the Gross Revenue generated monthly by Franchisor. Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross Revenue, then, in addition to a late fee and interest pursuant to Sections 6.2 and 6.3 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Brand Fund Contribution payable. Franchisor shall reconcile amounts when Gross Revenues are reported.

13.3.2 Franchisor shall direct all advertising and marketing programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Franchised Businesses operating under the System.

13.3.3 Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to KongDog outlets operated by Franchisor or Franchisor's affiliates.

13.3.4 Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and maintaining the Website; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares).

- 13.3.5 The Brand Fund will be operated solely as a conduit for collecting and expending the advertising contributions for the System. The Brand Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant Section 13.3.4. The Brand Fund and its earnings shall not otherwise inure to Franchisor's benefit.
- 13.3.6 Franchisor will prepare an unaudited annual statement of the Brand Fund's operations and will make it available to Franchisee upon request. In administering the Brand Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.
- 13.3.7 Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.
- 13.4 Regional Advertising. Franchisor reserves the right to establish, in Franchisor's sole discretion, a regional advertising cooperative. If a regional cooperative is established during the term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts Franchisor requires, in addition to required Brand Fund Contributions.
- 13.5 Directory Listings and Social Media. At Franchisee's sole cost and expense, Franchisee must list the Franchised Business in local business directories, including, but not limited to, listings on Internet search engines. If feasible, and with Franchisor's prior written approval, Franchisee may do cooperative listings with other System franchisees. Notwithstanding the foregoing, Franchisee may not maintain any business profile on Facebook, Twitter, X, Instagram LinkedIn, YouTube or any other social media and/or networking site without Franchisor's prior written approval, and use of any social media accounts shall be and in strict accordance with Franchisor's requirements. Franchisee shall provide Franchisor with all passwords and administrative rights to any and all social media accounts for the Franchised Business, and Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking whatever action as is necessary for the best interest of the System, if Franchisee fails to maintain such accounts in accordance with Franchisor's standards.
- 13.6 Approval of Advertising. All advertising and promotion by Franchisee, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising, press releases, promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof. If Franchisor fails to respond to Franchisee's submission within fifteen (15) business days, such plans and materials shall be deemed "disapproved". Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor in writing, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not

previously approved, upon notice from Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the KongDog brand and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.

## **14. INTELLECTUAL PROPERTY.**

### **14.1 Ownership.**

14.1.1 Franchisee expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) are the record owner of the Marks. Franchisor holds the exclusive right to license the Marks to franchisees of the System for use pursuant to the System. Franchisee further expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) claim copyrights on certain material used in the System, including but not limited to, recipes, instructional material, the Website, documents, photographs, social media content, advertisements, promotional materials and the Manual, whether or not Franchisor and/or Franchisor's affiliate(s) have filed for copyrights thereto with the U.S. Copyright Office. The Marks and copyrights, along with Franchisor's trade secrets, service marks, trade dress and proprietary systems are hereafter collectively referred to as the "Intellectual Property".

14.1.2 As between Franchisor and Franchisee, Franchisor and/or Franchisor's affiliate(s) are the owner of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them.

14.2 No Interference. Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor's and/or Franchisor's affiliate(s)'s rights with respect to the Intellectual Property. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor's and/or Franchisor's affiliate(s)'s service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Franchised Business and only at or from the Franchised Business premises or in approved advertising related to the Franchised Business.

14.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and Franchisor's affiliate(s), and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Intellectual Property.

14.4 Validity. Franchisee shall not contest the validity of, or Franchisor's or Franchisor's affiliate(s)'s interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor's or Franchisor's affiliate(s)'s interest in, the Intellectual Property.

14.5 Infringement. Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor's or Franchisor's affiliate(s)'s rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor or Franchisor's affiliate(s) with all assignments, affidavits, documents, information and assistance Franchisor or Franchisor's affiliate(s) reasonably requests to fully vest in Franchisor or Franchisor's affiliate(s) all such rights, title and interest in and to the Intellectual

Property, including all such items as are reasonably requested by Franchisor and/or Franchisor's affiliate(s) to register, maintain and enforce such rights in the Intellectual Property.

- 14.6 Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchised Business, if it in its sole discretion, determines that substitution of different Marks will be beneficial to the System. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.
- 14.7 Franchisee's Use of the Intellectual Property. With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:
- 14.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchised Business only under the Marks "KongDog" and design. Franchisee shall not use the Marks, or any portions, variations, or derivatives thereof, as part of its corporate or other legal name. All fictitious names used by Franchisee shall bear the designation "a franchisee of KongDog Franchising Inc..".
- 14.7.2 Franchisee shall identify itself as the owner of the Franchised Business and as an independent KongDog franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing.
- 14.7.3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.
- 14.7.4 Any item offered by Franchisee that contains the Marks, must be approved by Franchisor in writing prior to being distributed or sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.
- 14.8 Claims. Franchisee shall notify Franchisor immediately via both email and telephone, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for actual damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such

proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement.

14.9 Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby.

14.10 Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity, or corporation.

## **15. INSURANCE AND INDEMNIFICATION.**

15.1 Procurement. Franchisee shall procure, prior to taking possession of the Franchised Business premises, and thereafter maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds as their interests may appear, in the following minimum limits (except as additional coverage and higher policy limits may reasonably be specified from time to time in the Manual or otherwise in writing):

15.1.1 Liability. Commercial general liability insurance, including contractual liability, public liability, liquor liability (when applicable), personal injury, products liability, and advertising injury coverage in the amount of at least One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate;

15.1.2 Employer Practices Liability Insurance Employer practices liability insurance that names Franchisor as co-defendant in the amount of One Million Dollars (\$1,000,000) for employment wrongful acts, including third party liability for harassment and discrimination of non-employees;

15.1.2 Employment. Worker's compensation coverage in the limits required by the state in which the Franchised Business is located and operated, as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

15.1.3 Business Interruption. Business interruption insurance to cover payments to Franchisor of Royalties and Brand Fund Contributions during the business interruption; and

15.1.4 Property. Fire, vandalism and extended coverage insurance for property damage with primary and excess limits to cover the full replacement value of the leasehold improvements, computer systems, and other personal property of the Franchised Business; and

15.2 Evidence of Insurance. Franchisee shall deliver to, and maintain at all times with Franchisor, current Certificates of Insurance evidencing the existence and continuation of the required coverages. Franchisee shall deliver the initial Certificate of Insurance no later than ten (10) days before Franchisee opens the Franchised Business. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required

hereunder.

15.3 Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof together with an administrative fee of ten percent (10%) of the cost for Franchisor's expenses in so acting, including all attorneys' fees. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof.

15.4 Increase in Coverage. The levels and types of insurance stated herein are minimum requirements. Franchisor reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require. Within thirty (30) days of any such required new limits or types of coverage, Franchisee must submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements.

15.5 Additional Insured. All required insurance policies shall name Franchisor and their affiliates and their members, officers, agents and employees as additional insureds as their interests may appear. All public liability policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss caused by Franchisee or Franchisee's servants, agents or employees, and all required insurance policies shall contain a waiver of subrogation in favor of the additional insureds.

15.6 Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS KONGDOG FRANCHISING INC., KONGDOG, LLC AND ANY OF THEIR PARENT COMPANIES, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND SHAREHOLDERS (COLLECTIVELY REFERRED TO AS THE "FRANCHISOR PARTY INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO FRANCHISEE'S FRANCHISE AND/OR THE OPERATION THEREOF, INCLUDING BUT NOT LIMITED TO, ANY CLAIM IN CONNECTION WITH FRANCHISEE'S EMPLOYEES OR AGENTS; FRANCHISEE'S COMPUTER SYSTEMS; FRANCHISEE'S PREPARATION, STORAGE, HANDLING AND/OR DISPOSAL OF FOOD OR BEVERAGE PRODUCTS; THE FRANCHISED BUSINESS PREMISES; OR FRANCHISEE'S ADVERTISING OR BUSINESS PRACTICES. FRANCHISEE AGREES TO PAY FOR ALL FRANCHISOR PARTY INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER. THE FRANCHISOR PARTY INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE FRANCHISOR PARTY INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD THE FRANCHISOR PARTY INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE THE FRANCHISOR PARTY INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE FRANCHISOR PARTY INDEMNITEES.

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## 16. TRANSFERS.

### 16.1 Transfers by Franchisor.

16.1.1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Franchisee's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

16.1.2 Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Franchisee acknowledges may be within the Territory, proximate thereto, or proximate to any of Franchisee's locations). However, Franchisor represents that it will not convert any such acquired facilities that are operating within the Territory to an KongDog franchise during the Term of this Agreement.

16.1.3 If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the food service business or to offer or sell any products or services to Franchisee.

16.2 Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee as it is organized and with the Principal(s) of the Franchise as they exist on the date of execution of this Agreement, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

16.3 Transfers by Franchisee. Neither Franchisee nor any Principal(s) shall directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Franchise, the Franchised Business or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless Franchisee or Principal(s) first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee if it is a corporation or a

transfer of any ownership rights in Franchisee if it is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder. If Franchisee and Principal(s) has complied fully with this Agreement and subject to Franchisor's Right of First Refusal set forth in Section 16.6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements:

- 16.3.1 The proposed transferee and all its principals must have the demeanor, and be individuals of good character, and otherwise meet Franchisor's then-applicable standards for franchisees.
- 16.3.2 The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Business and to comply with this Agreement;
- 16.3.3 The transferee has agreed to complete Franchisor's Initial Training Program to Franchisor's satisfaction;
- 16.3.4 Franchisee has paid all amounts owed to Franchisor and third-party creditors;
- 16.3.5 The transferee agrees to renovate, refurbish, remodel, and/or replace, at the transferee's own cost, elements of the Franchised Business premises, signage and/or equipment within timeframes specified by Franchisor to comply with Franchisor's then-current specifications;
- 16.3.6 The transferee has executed Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions different from this Agreement, except that the transferee shall not be required to pay the Initial Franchise Fee;
- 16.3.7 Franchisee and the transferee and each of Franchisee's and the transferee's Principals shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules and ordinances. Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;"
- 16.3.8 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Franchised Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer;
- 16.3.9 If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or Principal(s) have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or Principal(s) will be subordinate to the transferee's obligations to Franchisor; and
- 16.3.10 If consent is required, the lessor of the Franchised Business's premises consents to the assignment or further sublet of the premises to the transferee.

- 16.4 Transfer Fee. As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to Fifty Percent (100%) of the then current Initial Franchise Fee or Twenty-Five Thousand Dollars (\$50,000), whichever is greater.
- 16.5 Entity Formation Documents. The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16; (ii) Franchisee may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.
- 16.6 Franchisor's Right of First Refusal.
- 16.6.1 If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer to purchase such interest, then Franchisee or such Principal shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer, as Franchisor may require.
- 16.6.2 Franchisor has the right, exercisable by written notice to Franchisee within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Franchised Business or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16.6.3.
- 16.6.3 Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor's credit will be deemed equal to the credit of any proposed transferee; (iv) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from the Franchisee all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable.
- 16.6.4 If Franchisor does not exercise its right to buy within thirty (30) days, Franchisee may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor's prior written approval pursuant to Section 16.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.
- 16.7 Death or Permanent Disability. The grant of rights under this Agreement is personal to Franchisee, and on the death or permanent disability of Franchisee or any of Franchisee's Principals, as the case may be, the Franchise granted by this Agreement will terminate. Accordingly, the executor, administrator, conservator or other personal representative of Franchisee or Principal(s), as the case may be, shall be required to transfer Franchisee's or Franchisee's Principal's interest in this Agreement within six (6) months from the date of death or permanent disability, to a third party approved by Franchisor. A transfer under this Section 16.7, including without limitation, transfer by devise or inheritance, is subject to the conditions

for Transfers in this Article 16 and unless transferred by gift, devise or inheritance, subject to the terms of Section 16.6 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of Franchisee's Franchised Business during the six (6)-month period from its onset.

Immediately after the death or permanent disability of such person, or while the Franchise is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at no less than Franchisor's actual cost, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors.

- 16.8 Effect of Consent to Transfer. Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any Franchisee's Principals nor waive its right to demand that the transferee comply strictly with this Agreement.
- 16.9 Security Interests to Lender. If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions. Notwithstanding the foregoing, in the event Franchisee seeks and/or obtains financing whereby funding is provided with the assistance of the United States Small Business Administration ("SBA Financing"), Franchisee shall be permitted to grant the lender of such SBA Financing a senior lien on any Collateral Franchisee uses to secure the SBA Financing, and Franchisor and Franchisee further agree that (i) the provisions of Attachment 9 are fully incorporated herein and applicable to Franchisor and Franchisee, (ii) Franchisor shall subordinate its security interest or other lien on Franchisee's Collateral to that of the lender of the SBA Financing and (iii) Franchisor waives the requirement of the written acknowledgement referenced in this Section.

## 17. DEFAULTS.

- 17.1 Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee entity is dissolved; or if execution is levied against Franchisee's business or property;

or if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.

- 17.2 Defaults with No Opportunity to Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.2.1 has misrepresented or omitted material facts in applying for the Franchise;

17.2.2 fails to (1) acquire a site for the Franchised Business, (ii) complete construction of the Franchised Business premises, (iii) obtain all licenses and permits before opening, or (iv) open the Franchised Business within the time and in the manner specified in Article 8.

17.2.3 falsifies any report required to be furnished Franchisor hereunder;

17.2.4 ceases to operate the Franchised Business for a period of five (5) days or more; provided, however, that this provision shall not apply if through no fault of Franchisee, the premises are damaged or destroyed by a casualty and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation.

17.2.5 loses for any cause whatsoever the right of possession of the real property on which the Franchised Business is located; provided, however, that this provision shall not apply if through no fault of Franchisee, Franchisee loses right of possession and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate the Franchised Business (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such relocation in accordance with Section 8.4.

17.2.6 fails to restore the Franchised Business location to full operation within a reasonable period time but not more than one hundred twenty (120) days from the date the Franchised Business location is rendered inoperable by any casualty;

17.2.7 fails to comply with any federal, state, or local law, rule or regulation, applicable to the operation of the Franchised Business, including, but not limited to, the failure to pay taxes;

17.2.8 defaults under any lease or sublease of the real property on which the Franchised Business is located;

17.2.9 understates Gross Revenue on two (2) occasions or more, whether or not cured on any or all of those occasions;

17.2.10 fails to comply with the covenants in Article 15;

17.2.11 permits a Transfer in violation of the provisions of Article 16 of this Agreement;

17.2.12 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Franchised Business upon death or permanent disability of Franchisee or any Principal as required by Section 16.7.

- 17.2.13 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks; or engages in any other conduct that may harm the reputation of the System or the goodwill associated with the Marks;
  - 17.2.14 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;
  - 17.2.15 conceals revenues, knowingly maintains false books or records, or submits any false reports fails to input all sales into the POS System, or otherwise attempts to circumvent Franchisor's sales and data reporting requirements;
  - 17.2.16 creates a threat or danger to public health or safety from the construction, maintenance, or operation of the Franchised Business;
  - 17.2.17. refuses to permit Franchisor to inspect or audit Franchisee's books or records;
  - 17.2.18. makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19.2);
  - 17.2.19 fails to comply with the non-competition covenants in Section 19.5;
  - 17.2.20 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or has been given at least two (2) notices of default in any consecutive twelve (12)-month period, whether or not the defaults have been corrected;
  - 17.2.21 has insufficient funds to honor a check or electronic funds transfer two (2) or more times within any consecutive twelve (12)-month period;
  - 17.2.22 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates or suppliers and does not cure such default within the time period provided in such other agreement; or
  - 17.2.23 terminates this Agreement without cause.
- 17.3 Curable Defaults. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:
- 17.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Sections 17.2.20 and/or 17.2.21;
  - 17.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17.1 and 17.2 for which there is no opportunity

to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)-month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 17.2.20.

17.4 Franchisor's Cure of Franchisee's Defaults. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may, but has no obligation to:

17.4.1 effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand; or

17.4.2 enter upon the Franchised Business premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control and operate the Franchised Business. In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor ten percent (10%) of the Gross Revenue realized during the period of interim management, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, until the default has been cured and Franchisee is complying with the terms of this Agreement.

17.5 Notice to Suppliers. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor reserves the right with five (5) days' prior written notice to Franchisee to direct suppliers to stop furnishing any and all products and supplies until such time as Franchisee's default is cured. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of suppliers.

17.6 Principal's Default. Franchisee and each Principal acknowledge and agree that a default event described in this Article 17 that is committed by any Principal is deemed a default by the Franchisee entity and all Principals, such that Franchisor may exercise its rights pursuant to this Article 17, whether or not the Franchisee entity or any other Principal had or has involvement or knowledge of the default event

17.7 Indemnification of Costs. Franchisee shall indemnify Franchisor for all costs and expenses, including but not limited to attorney's fees, incurred by Franchisor as a result of Franchisee's default, specifically including all costs, expenses, and/or attorney's fees incurred in connection with (i) collection of any amounts owed to Franchisor, (ii) performing Franchisee's obligations on Franchisee's behalf, and/or (iii) enforcement of Franchisee's obligations under this Agreement.

## **18. POST-TERMINATION OR EXPIRATION.**

18.1 Franchisee's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee shall immediately terminate and Franchisee and each Principal, if any, shall:

- 18.1.1 immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly identify himself, herself or itself as a current KongDog owner, franchisee or licensee;
- 18.1.2 immediately and permanently (i) cease to use the Marks, any imitation of any Mark, Franchisor's designs, copyrighted material, or other intellectual property, confidential or proprietary material or indicia of the Franchised Business, (ii) cease to use any trade name, trade or service mark or other commercial symbol that suggests an association with Franchisor, Franchisor's affiliate(s), or the System and (iii) de-identify the Franchised Business premises. In particular, Franchisee shall cease to use, without limitation, all signs, billboards, advertising materials, displays, stationery, forms, and any other articles, which display the Marks;
- 18.1.3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation, which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;
- 18.1.4 promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee. The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located at the Franchised Business location at the time of default;
- 18.1.5 pay to Franchisor all damages for any breach or early termination of this Agreement, plus, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;
- 18.1.6 immediately deliver at Franchisee's sole cost and expense, to Franchisor the Manual and all records, files, instructions, correspondence, invoices, agreements, designs, completed project signs, all confidential, proprietary and copyrighted material and all other materials related to operation of the Franchised Business, including but not limited to customer lists and records, (all of which are acknowledged to be Franchisor's property), delete all electronic copies and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law; and
- 18.1.7 comply with the non-disclosure and non-competition covenants contained in Article 19.
- 18.1.8 in the event this Agreement is terminated due to Franchisee's default, pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) in an amount equal to: (a) the average monthly Royalty Fee and Brand Fund Contribution payable by Franchisee over the twelve (12) month period immediately prior to the date of termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (i) twenty-four (24) months or (ii) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages

payable by Franchisee pursuant to this Section 18.1.8 shall be in addition to all other amounts payable under this Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision of this Agreement.

## 18.2 Right to Purchase.

18.2.1 Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any point-of-sale system and computer systems), signs, fixtures, advertising materials, supplies, and inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's cost or fair market value, whichever is less. Franchisor shall purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. Closing of the purchase shall take place no later than thirty (30) days after determination of the fair market value.

18.2.2 With respect to the options described in Sections 18.2.1, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

18.2.3 Franchisor shall be entitled to assign any and all of its option in Section 18.2.1 to any other party, without the consent of Franchisee.

18.3 Assignment of Communications. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised Business and any related public directory listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all social media accounts and internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11.6, Franchisee shall provide Franchisor with all passwords and administrative rights, and hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, social media accounts, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

18.4 Survival. The rights and obligations of the parties contained in this Article 18 shall survive the expiration or sooner termination of this Agreement.

**19. NON-DISCLOSURE AND NON-COMPETITION COVENANTS.**

**19.1 Operations Manual.**

19.1.1 Franchisor has provided to Franchisee, on loan, a current copy of the Manual. The Manual may be in hard copy or made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manual (or any changes thereto) are provided in a form other than physical copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manual. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall operate all aspects of the Franchised Business in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the Franchised Business.

19.1.2 Franchisee and Principal(s) shall at all times treat the Manual, written directives, and other materials and any other confidential communications or materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement. Franchisee and Principal(s) shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Franchised Business. Franchisee shall, prior to disclosure, fully train and inform its employees on all the restrictions, terms and conditions under which it is permitted to use Franchisor's intellectual, proprietary and confidential information; and shall ensure its employees' compliance with such restrictions, terms and conditions. Franchisee, Principal(s), and any person working with Franchisee shall agree not, at any time to use, copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

19.1.3 The Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Manual and all Franchisor's confidential and proprietary materials at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall, encryption and similar technology to prevent unauthorized access. Franchisee shall delete all electronic copies, and return and cease using any physical copy of the Manual and other confidential and proprietary materials to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement.

19.1.4 Franchisor may from time to time revise the contents of the Manual and other materials created or approved for use in the operation of the Franchised Business. Franchisee expressly agrees to comply with each new or changed policy, standard or directive. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall control.

19.1.5 If Franchisee loses, misplaces, or otherwise requests a physical copy of the Manual, Franchisor, in its discretion, may provide such physical copy and Franchisee shall pay Franchisor the then-current replacement fee. The replacement fee as of the date of this Agreement is One Hundred Dollars (\$100.00).

19.2 Confidential Information. Franchisee and Principal(s) acknowledge and accept that during the term of this Agreement Franchisee and Principal(s) will have access to Franchisor's trade secrets, including, but not limited to, recipes, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, pricing formulae, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Franchisee and Principal(s) covenant and agree that Franchisee and Principal(s) shall not, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or Principal(s) or of which Franchisee or any Principal may be apprised in connection with the operation of the Franchised Business under the terms of this Agreement. Franchisee and any Principal shall not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Franchised Business and who have themselves entered into confidentiality and non-compete agreements containing the same provisions as contained in this Agreement, in accordance with Section 19.10 hereof. Franchisee and any Principal shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent. The covenants in this Section 19.2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal.

19.3 Protection of Information. Franchisee shall take all steps necessary, at Franchisee's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.

19.4 New Concepts. If Franchisee or Principal(s) develops any new concept, process, product, recipe, design, or improvement in the operation or promotion of the Franchised Business ("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes, products, recipe, design or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and Principal(s) acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate. Franchisee acknowledges and agrees that nothing in this Section 19.4 permits Franchisee to test, introduce, provide, or otherwise

offer any Improvement to customers, or use any Improvement in the operation of the Franchised Business, unless and until Franchisor consents to the use of the Improvement for such purpose.

- 19.5 Noncompetition Covenants. Franchisee and Principal(s) specifically acknowledge that, pursuant to this Agreement, Franchisee and Principal(s) will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee and Principal(s). Franchisee and Principal(s) acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and Principal(s) are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and Principal(s) covenant that, except as otherwise approved in writing by Franchisor:

19.5.1 During the term of this Agreement, Franchisee and Principal(s) shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or eatery business similar to the System; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any KongDog franchisees or Franchisor-affiliated outlets.

19.5.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Franchisee and Principal(s) shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or eatery business within ten (10) miles of the Territory or any KongDog franchised or corporate location; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any KongDog franchisees.

- 19.6 Reasonableness of Restrictions. Franchisee and Principal(s) acknowledges and agree that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principal(s), since Franchisee or Principal(s), as the case may be, have other considerable skills, experience and education which afford Franchisee or Principal(s), as the case may be, the opportunity to derive income from other endeavors.

- 19.7 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's

consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified.

19.8 Injunctive Relief. Franchisee and Principal(s) acknowledge that a violation of the covenants of confidentiality and non-competition contained in this Agreement would result in immediate and irreparable injury to Franchisor for which monetary damages cannot fully remedy. Accordingly, Franchisee and Principal(s) hereby consent to the entry of a temporary and permanent injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants set forth in this Article 19 and hereby agree to waive any and all defenses to the entry of such injunction(s). Notwithstanding, Franchisee and Principal(s) acknowledge and agree that the foregoing injunctive relief is in addition to, and does not restrict Franchisor from pursuing, any and all claims for monetary damages resulting from a breach by Franchisee or Principal(s) of the covenants contained herein.

19.9 Liquidated Damages – Violation of Confidentiality or Non-Competition Covenants. In the event Franchisee and/or Principal(s) violate the covenants of confidentiality and/or non-competition set forth herein, Franchisee and/or Principal(s) shall pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) an amount equal to One Hundred Thousand Dollars (\$100,000.00), plus Franchisor's attorney's fees, for each such violation. Franchisee and Principal(s) acknowledge that a precise calculation of the full extent of the damages that Franchisor will incur in the event of Franchisee's and/or Principal(s)' violation of the covenants of confidentiality and/or non-competition is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 19.9 shall be in addition to all other amounts payable under this Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision hereof.

19.10 No Defense. Franchisee and Principal(s) expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

19.11 Covenants of Employees, Agents and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Article 19 (including covenants applicable upon the termination of a person's employment with Franchisee) from all employees, contractors or third persons who will have access to Franchisor's Confidential Information, and Franchisee shall provide Franchisor with executed versions thereof. Such covenants shall be substantially in the form set forth in Attachment 7 as revised and updated from time to time and contained in the Manual. Franchisee shall indemnify and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of Franchisee's failure to obtain executed restricted covenants by employees, agents and third persons as required by this Section.

## **20. DISPUTE RESOLUTION.**

20.1 Internal Dispute Resolution. Franchisee shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Exhibits and/or Attachments hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 21.7 below, Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

- 20.2 Mediation. At Franchisor's option, any claim, controversy or dispute that is not resolved pursuant to Section 20.1 hereof shall be submitted to non-binding mediation. Franchisee shall provide Franchisor with written notice of Franchisee's intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Franchisee's notice to exercise Franchisor's option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys' fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.
- 20.3 Governing Law and Venue. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the state of Illinois. Franchisee and Principal(s), except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Illinois. Franchisee and its Principal(s), hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.
- 20.4 Mutual Benefit. Franchisee, Principal(s) and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.3 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, Principal(s) and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.
- 20.5 Waiver of Certain Damages. Franchisee and Principal(s) hereby waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Franchisee and Principal(s) agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual damages sustained.
- 20.6 Limitations of Claims. Any and all claims asserted by Franchisee arising out of or relating to this Agreement or the relationship with Franchisor will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Franchisee knew or should have known of the facts giving rise to such claims.
- 20.7 Survival. The provisions of this Article 20 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Franchisee or any Principal of their respective interests in this Agreement.

## **21. GENERAL.**

### **21.1 Relationship of the Parties.**

- 21.1.1 Independent Licensee. Franchisee is and shall be an independent licensee under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation, or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to Franchisee's operation of the Franchised Business. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs, or judgments against Franchisor arising out of any allegation of an agent, partner, or employment relationship.
- 21.1.2 No Relationship. Franchisee acknowledges and agrees that Franchisee alone exercises day-to-day control over all operations, activities, and elements of the Franchised Business, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising control of the day-to-day operations of the Franchised Business.
- 21.1.3 Franchisee's Employees. Franchisor has no authority to control, either directly or indirectly, the essential terms and conditions of employment of Franchisee's employees. Franchisee acknowledges and agrees that Franchisee, in Franchisee's sole and absolute discretion, shall determine all such essential terms and conditions of employment, which are defined in the Manual or otherwise defined by law. Franchisee specifically agrees that any training Franchisor provides for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems, and operations of a KongDog outlet and in no fashion reflects any employment relationship between Franchisor and such employees. If ever it is asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agree to assist Franchisor in defending said allegation, appearing at any venue requested by Franchisor to testify on Franchisor's behalf participate in depositions, other appearances or preparing affidavits rejecting any assertion that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees.
- 21.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of the Franchisee entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Franchisee or Principal(s) in this Agreement or the Franchised Business, except in accordance with Article 16 hereof.

- 21.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.
- 21.4 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, provided that nothing in this Agreement is intended to disclaim the representations made to Franchisee in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.
- 21.5 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and Principal(s) shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named.
- 21.6 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.
- 21.7 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.
- 21.8 Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Business premises shall not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the approved Franchised Business outlet.
- 21.9 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 17 shall not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing

beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

21.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

21.11 Survival. Any obligation of Franchisee or Principal(s) that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or a Principal therein shall be deemed to survive such termination, expiration or transfer.

21.12 Consent to Do Business Electronically. This agreement is made in the State of Illinois. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Illinois, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement and its Attachments, and by attaching their signature electronically to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature as the respective party's signature .

The parties hereto have executed this Franchise Agreement the day and year first above written.

FRANCHISOR:  
KONGDOG FRANCHISING INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Entity):

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Principal):

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

FRANCHISEE (Principal):

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

## ATTACHMENT 1

### TRADEMARKS

Service Marks –



## ATTACHMENT 2

### **TERRITORY DESCRIPTION AND FRANCHISED BUSINESS ADDRESS**

\*\*TERRITORY AND ADDRESS TO BE DETERMINED AND INSERTED AFTER A KONGDOG PREMISES IS IDENTIFIED BY FRANCHISEE AND APPROVED BY FRANCHISOR, IN ACCORDANCE WITH SECTION 8 OF THE FRANCHISE AGREEMENT, IN THE NON-EXCLUSIVE SITE SEARCH AREA OF \_\_\_\_\_.

Territory (insert map and/or define by zip codes): The minimum Territory that may be granted is a one (1) mile radius or 50,000 people, whichever is less.

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Franchised Business Address:

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**ATTACHMENT 3**

**AUTHORIZATION AGREEMENT**  
**AUTOMATIC DEPOSITS (ACH WITHDRAWALS)**

Franchisor Name: **KongDog Franchising Inc.**

I (We) hereby authorize KongDog Franchising, Inc. hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name: \_\_\_\_\_ Branch: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

ACH/Routing Number: \_\_\_\_\_ Account Number: \_\_\_\_\_  
(Nine Digits)

This authorization is to remain in full force and effect until Franchisor has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 6 and 18 of the Franchise Agreement.

\_\_\_\_\_  
Print Franchisee / Account Holder Name

\_\_\_\_\_  
Print Franchisee/Co-Account Holder Name

\_\_\_\_\_  
Franchisee/ Account Holder Signature-Date

\_\_\_\_\_  
Franchisee/Co-Account Holder Signature-Date

\_\_\_\_\_  
Daytime Phone Number

\_\_\_\_\_  
Email Address

**PLEASE ATTACH A VOIDED CHECK TO THIS FORM**

**Please Return Form to:**  
**KongDog Franchising Inc.**  
**4320 Regency Drive, Glenview, IL 60025**  
**201-957-6605**

**ATTACHMENT 4**

**CONDITIONAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned \_\_\_\_\_ ("Assignor") hereby assigns and transfers to KongDog Franchising Inc. an Illinois corporation with a notice address of 4320 Regency Drive, Glenview, IL 60025 ("Assignee"), all of Assignor's right, title, and interest as tenant in, to and under that certain lease, a copy of which shall be attached hereto (the "Lease") respecting premises commonly known as \_\_\_\_\_. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and Assignor's interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of Assignor's interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for an KongDog outlet between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

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

\_\_\_\_\_,  
(Print Name, Title)

DATED: \_\_\_\_\_

DATED: \_\_\_\_\_

**CONSENT AND AGREEMENT OF LANDLORD**

to that Conditional Assignment of Lease from \_\_\_\_\_ (Assignor) to KongDog Franchising Inc. (Assignee) dated \_\_\_\_\_ for the property known as \_\_\_\_\_.

The undersigned Landlord under the aforescribed Lease further hereby:

- (a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
- (b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;
- (c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the Premises demised by the Lease and confirms to Landlord the assumption of the Lease by Assignee as tenant thereunder, Landlord shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the non-monetary defaults, if any, of Assignor under the Lease;
- (d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.
- (e) Permits Assignee to enter upon the Premises without being guilty of trespass or any other crime or tort to de-identify the Premises as an KongDog outlet if Tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee shall repair any damage caused thereby.

DATED: \_\_\_\_\_

LANDLORD:

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

**ATTACHMENT 5**

**STATEMENT OF OWNERSHIP INTERESTS**  
**IN FRANCHISEE**

**Name**

**Percentage of Ownership**

Pursuant to Section 11.2.7 of the Franchise Agreement, the Designated Principal is:

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## ATTACHMENT 6

### GUARANTY

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on \_\_\_\_\_ to KongDog Franchising Inc., an Illinois corporation (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement on or about the Effective Date herewith (the “Franchise Agreement”) with \_\_\_\_\_, a(n) \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 19.2, 19.5, 19.6, 19.8 and 19.9 of the Franchise Agreement (“Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor’s rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE’S PRINCIPAL:

Signature

Name:

Address:

## ATTACHMENT 7

### **CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_, by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), a franchisee of KongDog Franchising Inc., an Illinois corporation (“Franchisor”), and \_\_\_\_\_, an individual (“Covenantor”) in connection with a Franchise Agreement dated.

**WHEREAS**, Franchisee and Franchisor are parties to a franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), whereby Franchisor has granted Franchisee the right to use certain trademarks and copyrights, including but not limited to, the KongDog trademarks and logo, website, documents, advertisements, photographs, social media content, promotional materials and operations manual (collectively referred to as the “Intellectual Property”) for the establishment and operation of KongDog Franchised Business franchised business;

**WHEREAS**, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Intellectual Property and other confidential information, knowledge, know-how, techniques, training, and other materials used in or related to the KongDog franchise brand and/or concerning the methods of operation of the KongDog franchised business (collectively referred to as “Confidential Information”);

**WHEREAS**, the Intellectual Property and Confidential Information provides economic advantages to Franchisor and licensed users of the System, including Franchisee;

**WHEREAS**, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Intellectual Property and Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Intellectual Property and Confidential Information and further protecting the KongDog franchise brand against unfair competition; and

**WHEREAS**, Covenantor acknowledges that receipt of and the right to use the Intellectual Property and Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

#### **1. Confidentiality Agreement.**

**a.** Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use the Intellectual Property and such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a KongDog franchised business under the Franchise Agreement and in accordance with the requirements thereof.

**b.** Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Intellectual Property or Confidential Information, and shall not reproduce, in whole or in part, any of the Intellectual Property or Confidential Information, without Franchisor’s express written permission.

**c.** Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of Franchisee's KongDog franchised business.

**d.** Covenantor shall surrender any material containing some or all of the Intellectual Property or Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.

**e.** Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the KongDog brand.

**f.** Upon termination of employment or association with Franchisee, Covenantor shall immediately lose all rights to access and/or use the Intellectual Property and Confidential Information for any purpose whatsoever.

## **2. Covenants Not to Compete.**

**a.** In order to protect the goodwill and unique qualities of the KongDog franchise brand, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of Franchisee's KongDog franchised business or customer of other franchisees in the KongDog franchise system to any competitor, by direct or indirect inducement or otherwise, and/or

(ii) participate as an owner, partner, director, officer, employee, consultant, or agent or serve in any other capacity in any restaurant or eatery business substantially similar to the Franchisee's KongDog franchised business.

**b.** In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the KongDog franchise system, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of Franchisee's KongDog franchised business or of other franchisees in the KongDog system to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational, or supervisory capacity in any Competitive Business within ten (10) miles of Franchisee's Territory or the territory of any other KongDog affiliate-owned or franchised business.

**c.** The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

**d.** If the period of time or the geographic scope specified Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately

upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

### **3. General.**

**a.** Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

**b.** Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

**c.** Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

**d.** Any failure Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

**e.** THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE FRANCHISED BUSINESS IS LOCATED. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE SUCH STATE. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY SUCH STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN THE STATE WHERE THERE FRANCHISED BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

**f.** The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

**g.** Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

**h.** This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

**i.** All notices and demands required to be given hereunder shall be in writing, and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom

intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee:

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

If directed to Covenantor:

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

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

**j.** Franchisor is an intended third-party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor's obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

**k.** The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

The undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

\_\_\_\_\_

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

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

Title: \_\_\_\_\_

COVENANTOR:

\_\_\_\_\_

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

## ATTACHMENT 8

### **INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT**

**THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT** (the “Agreement”) is made and entered into this day of \_\_\_\_\_ (the “Effective Date”) by and between KongDog Franchising Inc., an Illinois corporation (the “Franchisor”), and \_\_\_\_\_ a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ and \_\_\_\_\_’s principal(s) \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“Principal(s)”). \_\_\_\_\_ and \_\_\_\_\_ Principal(s) shall be individually and collectively referred to, and each is, the “Franchisee”.

**WHEREAS**, Franchisee desires to enter into a franchise agreement with Franchisor for an KongDog business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, use software, and use telephone listings linked to the KongDog brand.

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### **1. Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

#### **2. Internet Advertising and Telephone Accounts**

2.1 **Interest in Websites, Social Media, and Software Accounts and Other Electronic Listings.** Franchisee (whether in accordance with or in violation of the Franchise Agreement) may acquire during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, software accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, “Electronic Advertising”) related to the Franchised Business or the Marks.

2.2 **Interest in Telephone Numbers and Listings.** Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 **Transfer.** On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media and software companies, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Electronic Advertising and Telephone Listings: (i) to transfer all of Franchisee’s interest in such Electronic Advertising and Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Telephone Listings, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising and Telephone Listings or will take such other actions with respect to the Electronic Advertising and Telephone Listings as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee’s interest in and to the Electronic Advertising and Telephone Listings to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising and Telephone Listings;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet and Companies and the Telephone Companies have duly transferred all Franchisee’s interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listings. Notwithstanding the foregoing,

Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

### 3. **Miscellaneous**

3.1 **Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 **Indemnification.** Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 **No Duty.** The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 **Further Assurances.** Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 **Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 **Effect on Other Agreements.** Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 **Survival.** This Agreement shall survive the Termination of the Franchise Agreement.

3.8 **Governing Law.** This Agreement shall be governed by and construed under the laws of the State of Illinois without regard to the application of Illinois conflict of law rules.

(Signatures appear on the following page)

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:  
KONGDOG FRANCHISING INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Entity):

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Principal):

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

FRANCHISEE (Principal):

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

## ATTACHMENT 9

### **PROVISIONS APPLICABLE TO SBA FINANCING**

For the purpose of Franchisee's application for funding from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (the "SBA"), and at all times that the SBA has an interest in any SBA-assisted financing provided to Franchisee, Franchisor and Franchisee agree as follows:

1. With respect to a partial interest in the Franchised Business, Franchisor may exercise its option to purchase or its right of first refusal only if the proposed transferee is not a current owner or family member of a current owner of Franchisee.

2. If Franchisor's consent is required for any transfer (full or partial) of the Franchised Business, Franchisor will not unreasonably withhold such consent.

3. If Franchisee owns the real estate where the Franchised Business operates, Franchisee will not be required to sell the real estate upon default or termination of the Franchise Agreement, but Franchisee may be required to lease the real estate for the remainder of the Term (excluding additional renewals) for fair market value.

4. If Franchisee owns the real estate where the Franchised Business operates, Franchisor has not and will not during the Term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental indemnification, control or use restrictions. If any such restrictions are currently recorded against Franchisee's real estate, they must be removed in order for Franchisee to obtain SBA financial assistance.

5. If Franchisee owns the real estate where the Franchised Business operates, the right of Franchisor to assume Franchisee's lease has not and will not during the Term of the Franchise Agreement be recorded against the real estate and may not include any attornment language unless it is subordinated to any SBA financial assistance.

6. For other than regularly scheduled payments and payments otherwise authorized in the Franchise Agreement, Franchisor does not have the authority to unilaterally share, commingle, or withdraw funds from Franchisee's bank account.

7. The Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business. Meaningful oversight includes the authority to:

- i. Approve the annual budget of the Franchised Business;
- ii. Have control over the bank accounts of the Franchised Business; AND
- iii. Have oversight over the employees operating the Franchised Business (who must be employees of Franchisee).

Franchisee agrees that the Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business by requiring Franchisee to comply with quality, marketing, and operations standards that govern Franchisee's use of Franchisor's System.

**EXHIBIT C**  
**FINANCIAL STATEMENTS**

# **KongDog Franchising, Inc.**

**(An Illinois Corporation)**

**Financial Statements with Report of Independent Auditors  
December 31, 2025, 2024, and 2023**

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Report of Independent Auditors

To the Shareholders of  
KongDog Franchising, Inc.:

*Opinion*

We have audited the accompanying financial statements of KongDog Franchising, Inc. (the "Company"), an Illinois corporation, which comprise the balance sheets as of December 31, 2025, 2024 and December 31, 2023, and the related statements of operations, shareholders' equity, and cashflows for the year ended December 31, 2025, 2024 and December 31, 2023, and the related notes to the financial statements.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, 2024, and December 31, 2023, and for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 for one year after March 7, 2026.

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstance, 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

*DA Advisory Group PLLC*

Troy, MI  
March 7, 2026

KongDog Franchising, Inc.  
BALANCE SHEETS  
As of December 31, 2025, 2024 and 2023

|                                            | December 31,<br>2025     | December 31,<br>2024     | December 31,<br>2023     |
|--------------------------------------------|--------------------------|--------------------------|--------------------------|
| ASSETS                                     |                          |                          |                          |
| Current assets:                            |                          |                          |                          |
| Cash and cash equivalents                  | \$ 17,311                | \$ 62,735                | \$ 135,608               |
| Franchise fees receivable                  | -                        | 65,000                   | 160,000                  |
| Royalties receivable                       | 66,953                   | 120,371                  | 55,968                   |
| Total current assets                       | <u>84,264</u>            | <u>248,106</u>           | <u>351,576</u>           |
| Noncurrent assets:                         |                          |                          |                          |
| Due from shareholder                       | 9,839                    | 15,839                   | -                        |
| Fixed assets                               | 215,715                  | 199,215                  | -                        |
| Accumulated depreciation                   | (86,759)                 | (28,291)                 | -                        |
| Total noncurrent assets                    | <u>138,795</u>           | <u>186,763</u>           | <u>-</u>                 |
| Total assets                               | <u><u>\$ 223,059</u></u> | <u><u>\$ 434,869</u></u> | <u><u>\$ 351,576</u></u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY       |                          |                          |                          |
| Current liabilities:                       |                          |                          |                          |
| Accrued expenses                           | \$ 2,341                 | \$ 2,342                 | \$ 417                   |
| Deferred revenue                           | 25,000                   | 25,000                   | 90,000                   |
| Total current liabilities                  | <u>27,341</u>            | <u>27,342</u>            | <u>90,417</u>            |
| Long term liabilities:                     |                          |                          |                          |
| Deferred revenue - net of current portion  | -                        | -                        | -                        |
| Total long term liabilities                | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 |
| Total liabilities                          | <u><u>27,341</u></u>     | <u><u>27,342</u></u>     | <u><u>90,417</u></u>     |
| Shareholders' equity:                      |                          |                          |                          |
| Shareholders' equity:                      | 195,718                  | 407,527                  | 261,159                  |
| Total shareholders' equity                 | <u>195,718</u>           | <u>407,527</u>           | <u>261,159</u>           |
| Total liabilities and shareholders' equity | <u><u>\$ 223,059</u></u> | <u><u>\$ 434,869</u></u> | <u><u>\$ 351,576</u></u> |

see accompanying notes

KongDog Franchising, Inc.  
STATEMENTS OF OPERATIONS  
For the years ended December 31, 2025, 2024 and 2023

|                              | <u>2025</u>                | <u>2024</u>              | <u>2023</u>              |
|------------------------------|----------------------------|--------------------------|--------------------------|
| Operating revenues:          |                            |                          |                          |
| Royalties                    | \$ 782,499                 | \$ 817,005               | \$ 435,285               |
| Franchise income             | 25,000                     | 220,000                  | 180,000                  |
| Advertising income           | <u>-</u>                   | <u>-</u>                 | <u>5,000</u>             |
| Operating revenues           | <u>807,499</u>             | <u>1,037,005</u>         | <u>620,285</u>           |
| Operating expenses:          |                            |                          |                          |
| Total operating expenses     | <u>1,012,709</u>           | <u>914,251</u>           | <u>538,220</u>           |
| Operating income             | <u>(205,210)</u>           | <u>122,754</u>           | <u>82,065</u>            |
| Other income (expense)       |                            |                          |                          |
| Other income                 | -                          | 52,041                   | 207,075                  |
| Other expense                | (6,599)                    | (1,047)                  | (3,369)                  |
| Income tax expense           | <u>-</u>                   | <u>(27,380)</u>          | <u>-</u>                 |
| Total other income (expense) | <u>(6,599)</u>             | <u>23,614</u>            | <u>203,706</u>           |
| Net income (loss)            | <u><u>\$ (211,809)</u></u> | <u><u>\$ 146,368</u></u> | <u><u>\$ 285,771</u></u> |

see accompanying notes

KongDog Franchising, Inc.  
STATEMENTS OF SHAREHOLDERS' EQUITY  
For the years ended December 31, 2025, 2024 and 2023

|                            | Shareholders'<br>Equity |
|----------------------------|-------------------------|
| BALANCE, DECEMBER 31, 2022 | \$ (24,612)             |
| Contributions              | -                       |
| Distributions              | -                       |
| Net income                 | <u>285,771</u>          |
| BALANCE, DECEMBER 31, 2023 | <u>\$ 261,159</u>       |
| Contributions              | -                       |
| Distributions              | -                       |
| Net income                 | <u>146,368</u>          |
| BALANCE, DECEMBER 31, 2024 | <u>\$ 407,527</u>       |
| Contributions              | -                       |
| Distributions              | -                       |
| Net loss                   | <u>(211,809)</u>        |
| BALANCE, DECEMBER 31, 2025 | <u>\$ 195,718</u>       |

see accompanying notes

KongDog Franchising, Inc.  
STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2025, 2024 and 2023

|                                                     | 2025         | 2024         | 2023       |
|-----------------------------------------------------|--------------|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:               |              |              |            |
| Net (loss) income                                   | \$ (211,809) | \$ 146,368   | \$ 285,771 |
| Adjustments for non cash expenses:                  |              |              |            |
| Depreciation expense                                | 58,468       | 25,714       | -          |
| Change in:                                          |              |              |            |
| Franchise fees receivable                           | 65,000       | 95,000       | (160,000)  |
| Royalties receivable                                | 53,418       | (64,403)     | (55,968)   |
| Due from shareholder                                | 6,000        | (15,839)     | -          |
| Accrued expenses                                    | (1)          | 1,925        | 417        |
| Deferred revenue - current                          | -            | (65,000)     | 75,250     |
| Deferred revenue - long term                        | -            | -            | (131,500)  |
| Net cash (used in) provided by operating activities | (28,924)     | 123,765      | 13,970     |
| CASH FLOWS FROM INVESTING ACTIVITIES:               |              |              |            |
| Purchases of fixed assets                           | \$ (16,500)  | \$ (196,638) | \$ -       |
| Net cash (used in) investing activities             | (16,500)     | (196,638)    | -          |
| CASH FLOWS FROM FINANCING ACTIVITIES:               |              |              |            |
| Net cash provided by financing activities           | \$ -         | \$ -         | \$ -       |
| Net change in cash and cash equivalents             | (45,424)     | (72,873)     | 13,970     |
| Cash and cash equivalents as of beginning of period | 62,735       | 135,608      | 121,638    |
| Cash and cash equivalents at period end             | \$ 17,311    | \$ 62,735    | \$ 135,608 |
| Total cash and cash equivalents                     | \$ 17,311    | \$ 62,735    | \$ 135,608 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:   |              |              |            |
| Cash paid for taxes                                 | \$ -         | \$ 27,380    | \$ -       |

see accompanying notes

KongDog Franchising, Inc.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2025, 2024 and 2023

1. Organization

KongDog Franchising, Inc. (“the Company”), an Illinois corporation, was formed December 23, 2021, to grant the rights to own and to operate a quick serve “KongDog” restaurant offering specialty corndogs, egg dishes, bubble tea, and other related items.

For the year ended December 31, 2025, 2024, 2023, there were no capital contributions and distributions.

The Parent company, KongDog, LLC, is limited liability company formed under the laws of the Commonwealth of Illinois on September 2, 2021. KongDog, LLC, is the owner of the “KongDog” marks and has exclusively licensed use of the marks to the Company. KongDog, LLC has not offered franchises in this or in any other lines of business previously. KongDog, LLC is the approved supplier for ingredients for KongDog Franchisees.

The Company’s affiliate, HS Chicago Food and Drink Cafe, Inc. was incorporated in the State of Illinois on October 4, 2018. HS Chicago Food and Drink Cafe, Inc. has not offered franchises in this or any other lines of business. HS Chicago Food and Drink Cafe, Inc. owns and operates KongDog’s locations which are similar to the franchise being sold.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Estimates

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

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

The Company maintains its cash in bank deposit accounts which could exceed federally insured limits. The Company has not experienced an instance where cash held in the account exceeded insured limits since their inception and has not had losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Concentration of credit risk

The Company is subject to credit risk related to amounts due from franchisees. The financial condition of the franchisees is largely dependent upon the underlying business trends of the brands and market conditions within the industries represented. The concentration of risk is mitigated by the number of franchisees and the short-term nature of the receivables from the franchisees.

KongDog Franchising, Inc.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2025, 2024 and 2023

2. Summary of significant accounting policies and nature of operations (continued)

Accounts receivable

Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable is written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company had \$66,953, \$185,371, and \$215,968 in accounts receivable as of December 31, 2025, 2024, and 2023, respectively.

Revenue recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606") which outlines a single, comprehensive model for accounting for revenue from contracts with customers.

Operating income consists of franchise sales to customers in addition to revenues earned through the sales of royalty fees, which are all based on a percentage of gross revenues of each franchisee. The Company also provides other miscellaneous services which are billed separately to franchisees.

The Company derives its revenues primarily from franchisees in accordance with their contractual agreements. As it relates to franchise fee revenue, each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

Any remaining balance of the performance obligations represents a single performance obligation and are recognized over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract with each franchisee.

Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract which is currently 10 years.

When a franchisee purchases a KongDog franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks, and logos ("the license"). The license is symbolic intellectual property. Revenues related to the license are continuing royalties are based on gross revenues and are 5% per month. This revenue will be used to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees. The royalties are billed monthly and are recognized as revenue when earned.

KongDog Franchising, Inc.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2025, 2024 and 2023

2. Summary of significant accounting policies and nature of operations (continued)

Incremental costs of obtaining a contract

The Company capitalizes direct and incremental costs, principally consisting of commissions, associated with the sale of franchises which are amortized over the term of the franchise agreements. In the case of costs paid, for which no signed franchise agreement has been signed, these costs are deferred until the signed franchise agreement is received.

Fair value of financial instruments

The Fair Value Measurements and Disclosure Topic of the FASB Accounting Codification establishes a framework for measuring fair value that is based on the inputs market participants use to determine fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs.

The accounting guidance describes a hierarchy of three levels of input that may be used to measure fair value:

- |         |                                                                                                                                                                                                                                                                                                  |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Inputs based on quote prices in active markets for identical assets and liabilities.                                                                                                                                                                                                             |
| Level 2 | Inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. |
| Level 3 | Unobservable inputs based on little market or no market activity and which are significant to the fair value of the assets and liabilities.                                                                                                                                                      |

The Company's material financial instruments consist of primarily cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses. The fair values of cash, accounts and notes receivable, accounts payable and accrued expenses are equal to their carrying values based on their liquidity. The fair value measurement of these assets is categorized as Level 1.

Advertising fund contribution

The Company has the right to collect an advertising fund fee of up to 5% of the gross revenues of each franchise location. Advertising costs are expensed as incurred. For the years ended December 31, 2025, 2024, and 2023, the Company incurred \$101,866, \$53,957 and \$134,965 in advertising costs.

Property, plant, & equipment

The Company has adopted ASC 360-Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to ten years). During the years ended December 31, 2025, 2024, and December 31, 2023, the costs are as below:

KongDog Franchising, Inc.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2025, 2024 and 2023

2. Summary of significant accounting policies and nature of operations (continued)

|                                 | 2025              | 2024              | 2023        |
|---------------------------------|-------------------|-------------------|-------------|
| Computer software               | \$ 146,500        | \$ 130,000        | \$ -        |
| Construction cost               | 10,000            | 10,000            | -           |
| Furniture and equipment         | 59,215            | 59,215            | -           |
| Less : accumulated depreciation | (86,759)          | (28,291)          | -           |
| Total                           | <u>\$ 128,956</u> | <u>\$ 170,924</u> | <u>\$ -</u> |

3. Disaggregation of revenues

The Company disaggregates revenue from contracts with customers by the timing of revenue recognition by type of revenues, as it believes this best depicts how nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Revenues by timing of recognition were as follows:

|                                        | 2025              | 2024                | 2023              |
|----------------------------------------|-------------------|---------------------|-------------------|
| <i>Point in time:</i>                  |                   |                     |                   |
| Royalties, marketing and other revenue | \$ 782,499        | \$ 817,005          | \$ 440,285        |
| Franchise fees                         | <u>25,000</u>     | <u>220,000</u>      | <u>180,000</u>    |
| Total point in time                    | \$ 807,499        | \$ 1,037,005        | \$ 620,285        |
| <i>Over time:</i>                      |                   |                     |                   |
| Total over time                        | <u>-</u>          | <u>-</u>            | <u>-</u>          |
| Total revenue                          | <u>\$ 807,499</u> | <u>\$ 1,037,005</u> | <u>\$ 620,285</u> |

4. Deferred franchise revenue

Deferred revenue comprises of unamortized upfront fees received from franchisees. The company records these liabilities when cash payments are received or due in advance of the company's performance. A summary of deferred franchise revenue as of December 31, 2025, 2024 and 2023 is as follows:

KongDog Franchising, Inc.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2025, 2024 and 2023

4. Deferred franchise revenue (continued)

|                                               | 2025             | 2024             | 2023             |
|-----------------------------------------------|------------------|------------------|------------------|
| Deferred revenue - beginning of year          | \$ 25,000        | \$ 90,000        | \$ 146,250       |
| Additions for initial franchise fees received | 25,000           | (285,000)        | 330,825          |
| Revenue recognized during the year            | (25,000)         | 220,000          | (387,075)        |
| Deferred revenues- end of year                | <u>\$ 25,000</u> | <u>\$ 25,000</u> | <u>\$ 90,000</u> |

Deferred franchise fee revenue is expected to be amortized over the remaining term of the associated franchise agreement as follows:

| Year ending December 31, 2025 | Amount           |
|-------------------------------|------------------|
| 2026                          | \$ 25,000        |
| 2027                          | -                |
| 2028                          | -                |
| 2029                          | -                |
| 2030                          | -                |
| Thereafter                    | -                |
| Total                         | <u>\$ 25,000</u> |

| Year ending December 31, 2024 | Amount           |
|-------------------------------|------------------|
| 2025                          | \$ 25,000        |
| 2026                          | -                |
| 2027                          | -                |
| 2028                          | -                |
| 2029                          | -                |
| Thereafter                    | -                |
| Total                         | <u>\$ 25,000</u> |

| Year ending December 31, 2023 | Amount           |
|-------------------------------|------------------|
| 2024                          | \$ 90,000        |
| 2025                          | -                |
| 2026                          | -                |
| 2027                          | -                |
| 2028                          | -                |
| Thereafter                    | -                |
| Total                         | <u>\$ 90,000</u> |

KongDog Franchising, Inc.  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2025, 2024 and 2023

5. Contract costs

The Company is reimbursed for all costs incurred to obtain franchise agreements and therefore does not record an asset for acquisition costs. The Company records a liability for deferred revenue associated with the performance obligation of its franchise agreements. During the years ended December 31, 2025, 2024 and 2023, there were no contract balances.

6. Income taxes

The members of the Company have elected to be taxed as a Disregarded Entity under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax return of its parent and no provisions for federal or state taxes have been recorded on the accompanying balance sheet.

The Company adopted ASC 740-10-25-6 “Accounting for Uncertainty in Income Taxes”, that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold upon examination by taxing authorities.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the Company’s parent.

7. Commitments and contingencies

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company. The Company has evaluated contingencies as of December 31, 2025, 2024, and 2023, and noted none to disclose.

8. Related party transactions

During 2025, 2024 and 2023, the Company paid some of the expenses of a related party, which resulted in a receivable to the Company. The amounts paid for, but not yet repaid, are recorded as assets on the balance sheet. The Company had a total balance due from these related parties of \$9,839, \$15,839 and \$0 as of December 31, 2025, 2024, and 2023, respectively. The receivables bear no interest and have no due date.

9. Subsequent events

Subsequent events have been evaluated through March 7, 2026, which is the date the financial statements were available to be issued. No significant events or transactions were identified that would require adjustment to the financial statements or disclosure.

**EXHIBIT D**

**OPERATIONS MANUAL TABLE OF CONTENTS**

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| 1.3    | Purpose of this Manual                     |          |
| 1.4    | Importance of Confidentiality              |          |
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- 4.3.9 Naming Your Entity
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  - 4.4.2 Seeking Approval of Proposed Sites
  - 4.4.3 Market Analysis
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| 9     | ADDITIONAL RESOURCES .....                | 2 Pages |
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| 9.2   | Websites For Organizations                |         |
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| 9.4   | Website For Tax Information               |         |

## **EXHIBIT E**

### **FRANCHISED OUTLETS**

(as of December 31, 2025)

| <b>Franchisee</b>                | <b>Address</b>                                   | <b>Contact Information</b>                    |
|----------------------------------|--------------------------------------------------|-----------------------------------------------|
| Kong 1247 Aurora LLC             | 1650 Premium Outlet Blvd #1247<br>Aurora, IL     | kongdogaurora@gmail.com                       |
| JHL Investment LLC               | 2026 S. Clark St., Unit F<br>Chicago, IL         | jyhnicoles@gmail.com<br>312-291-9978          |
| Kong 200 S Michigan LLC          | 200 S. Michigan Ave, #130<br>Chicago, IL         | kongdogchidtn@gmail.com<br>312-291-9980       |
| 100Pro Food Inc.                 | 482 Chicago Ridge Mall<br>Chicago Ridge, IL      | kevin@micomp.tv<br>708-722-4991               |
| Lemontree Enterprises LLC        | 7501 W. Cermak Rd<br>North Riverside, IL         | hwkim0821@gmail.com                           |
| Koinonia Enterprise Inc.         | 1649 W. Algonquin Rd.<br>Rolling Meadows, IL     | kevin@micomp.tv<br>847-258-3017               |
| Kimtiu LLC                       | 5220 Fashion Outlets Way<br>Rosemont, IL         | kimtiu@gmail.com<br>224-534-9099              |
| Ideac Inc.                       | 260 Hawthorn Village Commons<br>Vernon Hills, IL | kongdog.vernonhills@gmail.com<br>224-294-0491 |
| KongDog Somerville Inc.          | 2276 Southlake Mall<br>Merrillville, IN          | jakecee88@yahoo.com<br>773-865-2111           |
| Quincy Market KongDog Inc.       | 1 Faneuil Hall Market Pl<br>Boston, MA           | kongdogquincy@gmail.com<br>857-350-4608       |
| Kong South Shore Inc.            | 250 Granite Street<br>Braintree, MA              | jkkang@kongdog.us<br>781-778-2008             |
| K Star Bites, Inc.               | 210 Andover Street<br>Peabody, MA                | kstarbites@gmail.com<br>978-896-3470          |
| KongDog Somerville Inc.          | 236 Elm Street<br>Somerville, MA                 | Kongdogsomerville@gmail.com<br>484-674-7124   |
| Adventure Foods KD LLC           | 21355 Nebraska Crossing Dr. #F129<br>Gretna, NE  | ericbergt@yahoo.com                           |
| Boda Ent LLC                     | 99 Rockingham Park Blvd<br>Salem, NH             | 603-824-6047                                  |
| Kong Newark LLC                  | 467 Lyons Ave #130<br>Newark, NJ 07114           | kongnewarkllc@gmail.com                       |
| SL KongDog GSP LLC               | 4900 Bergenline Ave.<br>Union City, NJ           | sang@gmbrs.com<br>551-235-4154                |
| Giovanni Pizza Wallington LLC    | 168 Main Ave. #40<br>Wallington, NJ              | kongdogwallington@gmail.com                   |
| K D Albany LLC                   | 1 Crossgates Mall Road<br>Albany, NY             | limeizheng1007@yahoo.com<br>518-608-5524      |
| Diallo Capt Loui Throgs Neck LLC | 815 Hutchinson River Pkwy<br>Bronx, NY           | Mirames.diallo@gmail.com                      |
| 3M Plus Corp.                    | 313 Smith Haven Mall<br>Lake Grove, NY           | kongdogsh@gmail.com                           |
| CL Seafood Boil Harlem 125 LLC   | 17 W. 125 St.<br>New York, NY                    | Mirames.diallo@gmail.com                      |

|                             |                                                    |                                        |
|-----------------------------|----------------------------------------------------|----------------------------------------|
| 3M Plus Corp.               | 2001 South Road<br>Poughkeepsie, NY                | 516-301-7688                           |
| 4Asher Corp.                | 2655 Richmond Ave.<br>Staten Island, NY            | 4ashercorp@gmail.com                   |
| KongDog Palisades Mall Inc. | 4364 Palisades Center Drive<br>West Nyack, NY      | sohee1214@hotmail.com<br>845-540-3089  |
| Plates Go LLC               | 6014 Duraleigh Rd.<br>Raleigh, NC                  | junwlee71@gmail.com<br>919-510-5999    |
| KongDog Team KOP Inc.       | 160 North Gulph Road, #1035<br>King of Prussia, PA | kongdogkop@gmail.com<br>484-674-7124   |
| Kong Providence Inc.        | One Providence Place, #5125<br>Providence, RI      | kongdogprovi@gmail.com<br>401-735-9153 |
| KD Alexandria Inc.          | 6676 Richmond Hwy<br>Alexandria, VA                | Kdalexandriava@gmail.com               |
| KongDog Team KOP Inc.       | 1100 S. Hayes St.<br>Arlington, VA                 | kongdogkop@gmail.com<br>703-415-2401   |

**Franchise Agreements Signed but Outlet Not Open**  
(as of December 31, 2025)

| Franchisee     | City/State     | Contact Information                                                  |
|----------------|----------------|----------------------------------------------------------------------|
| Cheng Gong LLC | Pittsburgh, PA | <a href="mailto:kongdogaurora@gmail.com">kongdogaurora@gmail.com</a> |

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

**Former Franchisees**

that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or has not communicated with the franchisor within the 10 weeks preceding the Issuance Date of this Disclosure Document:

| Franchisee        | City/State                 | Contact Information                                                             |
|-------------------|----------------------------|---------------------------------------------------------------------------------|
| 113 Schiller Inc. | Elmhurst, Illinois         | jakecee88@gmail.com                                                             |
| Kong at Hip Inc.  | Norridge, Illinois         | <a href="mailto:jakecee88@gmail.com">jakecee88@gmail.com</a> ; 872-261-2302     |
| Pingu Inc.        | Park Ridge, Illinois       | 224-354-6170                                                                    |
| Bob Shim 2 Inc.   | Schaumburg, Illinois       | <a href="mailto:Minking0502@gmail.com">Minking0502@gmail.com</a> ; 847-380-0802 |
| PJ Dog, LLC       | Jersey City, New Jersey    | <a href="mailto:paulchai@gmail.com">paulchai@gmail.com</a> ; 518-608-5524       |
| Yummy Dog LLC     | Hoboken, New Jersey        | juliyayum@gmail.com                                                             |
| Kong Dog Café LLC | Philadelphia, Pennsylvania | <a href="mailto:Sehun.jang@gmail.com">Sehun.jang@gmail.com</a> ; 267-324-5039   |

**EXHIBIT F**  
**STATE ADDENDA**

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Illinois law shall apply to and govern the Franchise Agreement.

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.

Franchisee's right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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

In Illinois, payment of Initial Franchise Fees owed to Franchisor/affiliate will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. Item 5 (Initial Fees) of the Franchise Disclosure Document is amended to include this fee deferral. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

FRANCHISOR:  
KONGDOG FRANCHISING INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Entity):

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Principal):

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

**AMENDMENT TO THE KONGDOG FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS §§ 705/1 et seq. (1987) (the “Act”), which govern the attached KongDog Franchise Agreement (the “Franchise Agreement”), the parties thereto agree as follows:

1. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Section 4 of the Act provides that no franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois.”

2. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Illinois law governs the terms of this Franchise Agreement.”

3. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

4. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“To the extent any provision regarding termination or renewal of the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control.”

5. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement 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. In Illinois, payment of Initial Franchise Fees owed to Franchisor/affiliate will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. Section 6.1.1 (Initial Fee) of the Franchise Agreement is amended to include this fee deferral. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

(Signatures appear on the following page)

The parties hereto have duly executed this Illinois Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:  
KONGDOG FRANCHISING INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Entity):

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Principal):

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

## NEW YORK STATE ADDENDUM TO FDD

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 RESOURCES 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 CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, 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 that is 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 ten years 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 a franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of

the State of New York and the regulations issued thereunder shall remain in force; this proviso intends 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 a 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 earliest 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.

**VIRGINIA ADDENDUM TO FRANCHISE  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

1. The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any 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.

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 involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. For any Franchise Agreement executed on and after July 1, 2026, the following provisions apply:

A. Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.

B. Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act (“Act”), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

3. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Amendment.

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

- Signatures on Following Page-

THE PARTIES hereto have duly executed this Virginia Addendum on \_\_\_\_\_.

FRANCHISOR:  
KONGDOG FRANCHISING INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Entity):

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (Principal):

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

**EXHIBIT G**

**GENERAL RELEASE**

This release (the "Release") is given this day of \_\_\_\_\_ by \_\_\_\_\_  
\_\_\_\_\_, a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_  
\_\_\_\_\_ ("Franchisee") and \_\_\_\_\_'s principals \_\_\_\_\_, an  
individual residing at \_\_\_\_\_ and ("Principal(s)").

Franchisee and Principal(s), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them (collectively, the "Franchisee Releasors"), hereby release, discharge and hold harmless KONGDOG FRANCHISING INC.. ("Franchisor") and Franchisor's parent company, affiliates, officers, directors, members, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the "Franchisor Releasees") from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated \_\_\_\_\_ between Franchisee and Franchisor and any related agreements and the relationship created thereby, or the Franchised Business operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such Franchised Business or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the "Franchisee Released Claims").

FRANCHISEE AND PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Franchisee Released Claim, and Franchisee and Principal(s) shall defend, indemnify and hold harmless each of Franchisor Releasees against same.

Release given this day of \_\_\_\_\_ by:

FRANCHISEE (Entity):

FRANCHISEE (Principal):

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name, Title)

FRANCHISEE (Principal):

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

## EXHIBIT H

### FRANCHISEE ACKNOWLEDGEMENT STATEMENT

**\*\*NOT FOR USE IN CALIFORNIA, MARYLAND, AND WASHINGTON\*\***

**'Do not sign if the franchisee is a Maryland resident or if the franchised business will be located within the State of Maryland.**

**No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee (or developer) 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.**

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

\_\_\_\_\_  
Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

\_\_\_\_\_  
Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

\_\_\_\_\_  
Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are

made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

\_\_\_\_\_  
Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

\_\_\_\_\_  
Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

\_\_\_\_\_  
Initial

7. Franchisee acknowledges that it has received the KongDog Franchising Inc. Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

\_\_\_\_\_  
Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

\_\_\_\_\_  
Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

\_\_\_\_\_  
Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

\_\_\_\_\_  
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE KONGDOG FRANCHISING INC., LICENSOR, THE KONGDOG INDEMNITIEES, AND ANY OF KONGDOG'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF.

\_\_\_\_\_  
Initial

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_,  
(Print Name, Title)

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

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

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

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

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

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date states below:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| Illinois     | Pending               |
| New York     | Pending               |
| Virginia     | Pending               |
| Wisconsin    | Pending               |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Kongdog Franchising Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Kongdog Franchising Inc. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

|                                                                               |  |  |
|-------------------------------------------------------------------------------|--|--|
| Sangyun Shin<br>4320 Regency Drive.<br>Glenview, IL 60025<br>(201) 957 - 6605 |  |  |
|-------------------------------------------------------------------------------|--|--|

Issuance Date: April 23, 2026

I received a Disclosure Document dated April 23, 2026, that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement
- EXHIBIT C: Financial Statements
- EXHIBIT D: Operations Manual Table of Contents
- EXHIBIT E: Franchise Outlets
- EXHIBIT F: State Addenda
- EXHIBIT G: General Release
- EXHIBIT H: Franchisee Acknowledgement Statement

Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

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

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**KEEP FOR YOUR RECORDS**

## RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

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Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

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

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

Please return signed receipt to Kongdog Franchising Inc.  
4320 Regency Drive Glenview, IL 60025