

## FRANCHISE DISCLOSURE DOCUMENT

Dog Franchise Group, LLC  
A California Limited Liability Company  
905 E. 2<sup>nd</sup> St. Suite 110  
Los Angeles, CA 90012  
213-429-4073  
franchise@dogdrop.co  
www.dogdrop.co/franchise



You will operate a business engaged in providing a daycare service for dogs, as well as the sale of dog-related products and supplies, under the Dogdrop marks. The total investment necessary to begin operation of a Dogdrop franchise ranges from \$356,050 to \$645,410, including \$76,500 which must be paid to franchisor or its affiliate(s). The total investment necessary to begin operation of a Dogdrop multi-unit development business ranges from \$380,050 to \$669,410 for a required minimum of three (3) Dogdrop outlets to be developed, including \$100,500 which must be paid to franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 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 contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. 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 16, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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 F.
<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 D 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 Dogdrop 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 Dogdrop franchisee?</b>	Item 20 or Exhibit F 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 the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. The franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. The guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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.

**DOG FRANCHISE GROUP, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

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- ATTACHMENT 7: Internet Advertising, Social Media, Software and Telephone Account Agreement
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EXHIBIT C: Multi-Unit Development Agreement

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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 Dog Franchise Group, LLC, the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a Dogdrop franchise, as “you”, “your” 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 were formed as a limited liability company in the State of California on October 9, 2020. Our principal business address is 905 E. 2<sup>nd</sup> St., Suite 110, Los Angeles, CA 90012 and our telephone number is 213-429-4073. We do business under our company name, “Dogdrop” and its associated logos, slogans and designs (the “Marks”). Our affiliate, DogDrop IP Holding, LLC, has registered, or has filed for registration, our principal service marks on the Principal Register of the United States Patent and Trademark Office. We do not own or operate any businesses of the type you will be operating. We have not offered franchises in any other line of business. We only offer franchises which operate under the “Dogdrop” Marks. We began offering franchises in May 2021.

The principal business addresses of our agents for service of process are shown on Exhibit A.

**Our Parents, Predecessors and Affiliates:**

We have no parent or predecessor company.

We are wholly owned by DogDrop, Inc., a Delaware corporation with a principal place of business at 905 E. 2<sup>nd</sup> Street, Suite 110 Los Angeles, CA 90012. DogDrop, Inc. was formed on December 15, 2019. DogDrop, Inc. has not offered franchises in this or in any other lines of business previously.

We have an affiliated company, DogDrop IP Holding, LLC, a California limited liability company with a principal place of business at 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California 90012. DogDrop IP Holding, LLC is also wholly owned by DogDrop, Inc., and was formed December 20, 2020. DogDrop IP Holding, LLC is the owner of the Marks and has exclusively licensed use of the Marks to us. DogDrop IP Holding, LLC has not offered franchises in this or in any other lines of business previously and does not operate a business of the like being offered in this Disclosure Document.

We have operated, through affiliates, Dogdrop outlets similar to the franchise offered by this Disclosure Document since 2019. We may operate other Dogdrop concepts, including additional Dogdrop outlets, in the future.

Our affiliate, Dogdrop 2, LLC, a California limited liability company with its principal place of business at 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California 90012, owns and operates a Dogdrop location substantially similar to that offered in this Disclosure Document located

at 1724 N. Highland Avenue, Suite 250B, Los Angeles, California 90028. Dogdrop 2, LLC has not offered franchises in this or any other line of business.

Our affiliate, Dogdrop 4, LLC, a California limited liability company with its principal place of business at 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California 90012, owns and operates a Dogdrop location substantially similar to that offered in this Disclosure Document located at 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California 90012. Dogdrop 4, LLC has not offered franchises in this or any other line of business.

Our affiliate, Dogdrop 9+CO LLC, a California limited liability company with its principal place of business at 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California 90012 operates an affiliate owned Dogdrop location in Denver, Colorado, as of January 2024. Dogdrop 9+CO LLC has not offered franchises in this or in any other line of business.

### **The Franchise Offered:**

We grant franchises for the right to operate a business offering dog daycare services, as well as retail services for dog-related products, under the “Dogdrop” Marks, using our distinctive operating procedures and standards in a 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 operation methods, customer services standards, advertising and marketing specifications, and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing Dogdrop outlets, all of which we may change, improve, and further develop (collectively, our “System”).

We also offer qualified individuals the right to open a minimum of two (2) Dogdrop outlets in a designated area under the terms of a multi-unit development agreement. Upon establishing each additional outlet under your Multi-Unit Development agreement, you must sign the then-current form of franchise agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

### **Market and Competition:**

The market for your Dogdrop Franchised Business consists of the general public who seek daycare services for their pet dogs and to purchase dog-related products and supplies. Our franchises are located in central city, suburban or other high traffic locations, in strip centers and high-rise buildings.

The market for dog daycare services is quickly emerging, while the market for pet products and supplies is highly competitive. You will compete with businesses, including national, regional and local business, offering products and services similar to those offered by your Dogdrop Franchised Business, including other dog kennel, dog daycare, dog training, and dog grooming businesses. There are other specialty dog daycare franchises, as well as independent businesses throughout the United States, that may offer similar products and services. The market for our products and services is not seasonal, but may be affected by changes in consumer tastes, demographics, traffic patterns, and economic conditions.

**Industry Specific Regulations:**

Some states have licensing, certification or registration requirements applicable to some or all of the services you and your employees will be providing through your Franchised Business. You may be required to pay a fee to the state agency or association responsible for enforcing these requirements. Some states may require a minimum level of education or related work experience to obtain licenses.

You must comply with all local, state and federal laws and regulations that apply to the operation of your Dogdrop 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 and complying with all laws applicable to your Franchised Business.

**ITEM 2: BUSINESS EXPERIENCE****Chief Executive Officer: Shaina Denny**

<b>Employer</b>	<b>Start/End Date</b>	<b>Title</b>	<b>Location</b>
Dog Franchise Group, LLC	December 2020 to Present	CEO	Los Angeles, CA
DogDrop, Inc.	January 2019 to Present	CEO	Los Angeles, CA
Eli Electric Vehicles	November 2016 to December 2018	Head of Marketing	Beijing, China
Xiaoyi, Inc.	August 2015 to November 2016	Market Manager	Shanghai, China

**Head of Product & Design: Daniel Lincoln Harris**

<b>Employer</b>	<b>Start/End Date</b>	<b>Title</b>	<b>Location</b>
Dog Franchise Group	December 2020 to Present	Head of Product & Design	Los Angeles, CA



Legalzoom	August 2017 to January 2022	Lead Product Designer	Glendale, CA
Amped Wireless	August 2014 to August 2017	Product Designer	Ontario, CA

**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**

You will pay us an initial franchise fee (the “Initial Franchise Fee”) when you sign the Franchise Agreement. The Initial Franchise Fee is Twelve Thousand Dollars (\$12,000.00). 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 will also pay us the following fees:

- Platform Onboarding Fee: You will pay us Fifteen Thousand Dollars (\$15,000.00) within ten (10) days after you sign the Franchise Agreement (the “Platform Onboarding Fee”). The Platform Onboarding Fee includes access to the Dogdrop Customized Wiki which is a collaborative online platform for franchisees providing our procedures, guidelines, policies; initial training modules for store opening; our dedicated communication platform; and other related resources on our web-based platform.
- Site Selection and Construction Fee: You will pay us Seven Thousand Dollars (\$7,000.00) within twenty (20) after you sign the Franchise Agreement (the “Site Selection and Construction Fee”). The Site Selection and Construction Fee includes our assistance in your site selection and construction for your Franchised Business.
- Initial Training Fee: You will pay us Six Thousand Five Hundred Dollars (\$6,500) at least 30 days before the opening of your Franchised Business (the “Initial Training Fee”). The Initial Training Fee covers up to three (3) individuals attending the same initial training program. You will pay the Initial Training Fee to us prior to attending the initial training program which must take place. You will pay all travel and other related expenses incurred by all trainees. The current fee to train additional personnel, or if you do not complete the initial training program.
- Marketing and Design Fee: You will pay us Seven Thousand Five Hundred Dollars (\$7,500.00) within sixty (60) days after the Effective Date (the “Marketing and Design Fee”). The Marketing and Design Fee covers our initial assistance with the marketing and design needs of your Franchised Business.
- Technology Setup Fee: You will pay us Seven Thousand Dollars (\$7,000.00) at the time of the initial technology set-up of the Franchised Business or within ninety (90) days after signing the Franchise Agreement, whichever is earlier (the

“Technology Setup Fee”). The Technology Setup Fee covers the initial cost of the Dogdrop technology services including, but not limited to web hosting, assigned phone numbers, email addresses, Company customer relationship management (CRM), proprietary software, our franchise portal, benchmarking platform, and/or other operations or communications systems.

- Initial Launch and Marketing: To effectively launch Dogdrop and stimulate pre-sales for Founding Memberships, a \$20,000 Pre-Opening Marketing budget is required. This allocation encompasses various essential marketing components such as local marketing flyers, postcards, out-of-home (OOH) advertising, influencer marketing, content creation, social media, local events, hosting a grand opening party, media buying, and more. The Pre-Opening Marketing period starts sixty (60) days before your Franchised Business is scheduled to open, and you will direct these payments to our approved suppliers and/or to us or our affiliates.

The Platform Onboarding Fee, the Site Selection and Construction Fee, the Technology Setup Fee, and the Marketing and Design Fee listed above are refundable if, in our sole discretion, you do not satisfactorily complete our Initial Training Program prior to opening your Franchised Business.

You will be required to purchase some branded products and supplies from us. We estimate the initial order of branded supplies you will purchase from us prior to opening will be approximately Fifteen Hundred Dollars (\$1,500). The branded supplies are non-refundable.

We will charge you a development fee (“Development Fee”) when you sign the Multi-Unit Development Agreement. The Development Fee is an amount equal to Twelve Thousand Dollars (\$12,000.00) for the first Franchised Business you are to develop under the Multi-Unit Development Agreement, plus fifty percent (50%) of the Initial Franchise Fee per each additional unit you are to develop under the Multi-Unit Development Agreement. If you sign the Multi-Unit Development Agreement, the Initial Franchise Fee for your second and subsequent Dogdrop Franchised Business will be Twelve Thousand Dollars (\$12,000) per Franchised Business.

The Development Fee is fully earned by us and due in lump sum when you sign the Multi-Unit Development Agreement. The Development Fee is not refundable under any circumstances. Provided that you are in compliance with your development schedule and not in breach of the Multi-Unit Development Agreement, we will grant you an applicable credit against the Initial Franchise Fee payable for each Franchise Agreement you sign for each Dogdrop outlet you are to develop under the Multi-Unit Development Agreement. The balance of the Initial Franchise Fee for each Franchise Agreement is due when you sign the Franchise Agreement for that outlet.

From time to time, we may offer special incentive programs as part of our franchise development activities. We reserve the right to offer, modify or withdraw any incentive program without notice to you.

**ITEM 6:     OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Continuing Royalty Fee	2% of Gross Sales.	Ongoing, per transaction.	Payable to us. See footnotes 1 and 2. We reserve the right to increase the Continuing Royalty Fee to 3% upon written notice to you.
Required Minimum Expenditure for Local Marketing and Advertising	The greater of (i) 2% of Gross Sales, or (ii) \$2,000 per month.	As incurred.	Payable to third-party suppliers. All advertising must be approved by us. See footnote 3.
Brand Development Fund Contribution	3% of Gross Sales.	Ongoing, per transaction.	Payable to us. See footnotes 2 and 4. We reserve the right to increase the Brand Development Fund Contribution to 4% upon written notice to you.
Advertising Cooperative	You share of actual advertising costs.	As determined by cooperative.	No cooperatives have been established as of the date of this Disclosure Document. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised Dogdrop outlets in a designated geographic area, or we may establish a national cooperative comprised of all franchised Dogdrop outlets. Your contributions to an advertising cooperative will be in addition to your required contributions to the Brand Development Fund; however, contributions made by you to such cooperative will be credited against your required expenditures for local advertising. Any affiliate-owned outlets may participate in an advertising cooperative, in our sole discretion.
Supplemental Initial Training	If you do not complete the initial training program and we permit you to retake the initial training program, is \$250 per person per day. You will	As invoiced	This fee is only due if you need to in our discretion or request supplemental initial training.

Type of Fee	Amount	Due Date	Remarks
	pay all travel and other related expenses incurred by all trainees.		
Remedial Training	Our then-current trainer per diem rate plus expenses. Our current per diem rate is \$350 per trainer 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 hotels and meals.
Audit and Quality Assurance Fees	Actual costs.	As incurred.	See footnote 5.
Additional Training	Currently \$500 per person. You pay all travel and other related expenses incurred by you and your personnel to attend training.	As incurred.	See footnote 6.
Successor Agreement Fee	25% of the then-current Initial Franchise Fee.	Upon signing the then-current form franchise agreement.	Payable if we approve you to acquire a successor franchise for your Dogdrop outlet. See Item 17.
Transfer Fee	For transfers to: (i) an entity or individual that is new to the System, 75% of the then-current Initial Franchise Fee; (ii) an entity or individual that is already an existing owner in the System, 50% of the then-current Initial Franchise Fee; and (iii) an entity owned and controlled by	\$5,000 payable upon application to transfer, balance due at the time of the transfer.	Payable to us. See Item 17.

Type of Fee	Amount	Due Date	Remarks
	the franchisee for convenience purposes without changing the majority ownership in the franchisee entity, \$1,500.		
Relocation Fee	25% of the then-current Initial Franchise Fee.	50% due upon our approval to relocate your business; balance due upon our acceptance of new location.	Payable to us.
Digital Infrastructure Administrative Fee	3% of Gross Sales.	Ongoing, per transaction.	This fee is paid to us to administer and develop proprietary software, web hosting, assigned phone numbers, franchise portal, benchmarking platform, and/or other operations or communications systems. This fee is exclusive of the fees paid to third parties for these services which may increase or decrease based on supplier pricing fluctuation. See footnote 2.
Email Fee (Gmail)	\$12 per account.	Monthly by the tenth (10 <sup>th</sup> ) day of each calendar month	See footnote 2.
Product or Supplier Review	\$1,000 per review.	Upon your request for approval of a product or supplier.	Payable to us.
Late Payment Fee	\$100.	As incurred.	Any and all amounts that shall become due and owing to Franchisor under the Franchise Agreement are subject to a late fee of \$100 in addition to the overdue amount and interest charges explained below.

Type of Fee	Amount	Due Date	Remarks
Interest	1.5% per month or the highest legal rate, whichever is less.	As incurred.	We may charge you interest on any unpaid balance until the payment is able to be processed through the Connected Franchisee Account.
Insufficient Funds	\$100.	As incurred.	If your payment to us is returned, or if any withdrawals from the Connected Franchisee Account fail, for insufficient funds, for each occurrence we may charge you an Insufficient Funds Fee.
Insurance Reimbursement	Amount paid by us for your insurance obligations, plus an additional ten percent (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.
Interim Management Fee	Our then-current per diem rate for on-site management, plus expenses. Our current rate is 10% of Gross Sales during the period of our on-site management, plus travel and other expenses we incur.	As incurred.	We may impose this fee (in addition to all regularly occurring fees such as the Continuing Royalty Fee and Brand Development Fund Contributions), payable to us, if we provide on-site management of your Franchised Business. See footnote 7.
Taxes	Reimbursement of our costs.	As incurred.	You must reimburse us for any taxes we must pay due to the operation of your franchised business or payments you make to us.
Examination of Books and Records	Cost of the examination, plus related expenses.	As incurred.	We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Sales Report, 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.

Type of Fee	Amount	Due Date	Remarks
Indemnification	Amount of loss or damages, plus costs and expenses.	As incurred.	See footnote 8.
Reimbursement of Legal Fees and Expenses	Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement.	As incurred.	Payable to us.
Liquidated Damages	Royalty Fees for balance of Term.	Upon termination of the Franchise Agreement due to your default.	You must pay us the average weekly Royalty Fee payable by you for the twelve (12) months prior to your termination multiplied by the number of months remaining in the Term.
Post-Termination or Post-Expiration Expenses	Costs and expenses.	As incurred.	Payable to us.
Non-Compliance Fee	Up to \$500 per failure to comply with any terms of the Franchise Agreement or the Brand Standards Manual.	As incurred.	Payable to us. May be assessed per day or per incident, whichever is applicable.
Communication Center Fees "Onboarding Center"	\$450 per month	As determined by the service provider and/or us.	We have established a national call center. This fee will be imposed 30 days before opening your Franchised Business.

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> "Gross Sales" 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. Gross Sales shall include the full amount payable by your customers, without deduction, setoff or for other write-offs; however, Gross Sales 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). You will be required to participate in all customer loyalty, customer feedback or other promotional programs that we designate. We have sole discretion over any gift certificate, stored value card, loyalty card, voucher and/or customized promotional receipts programs for Dogdrop. You will be required to participate in these programs and comply with any requirements we set for participation, including as to how we address the purchase and redemption of these cards among Dogdrop locations for purposes of determining Gross Sales at your Franchised Business.

<sup>2</sup> All products and services sold at your Franchised Business will be administered through our proprietary system, and transacted through our master account with the POS System (the “Dogdrop Master Account”). You will be required to open a subaccount with the POS System through the Dogdrop Master Account (your “Connected Franchisee Account”), which must have a designated business account connected to it. At the time of each customer transaction, the POS System will deposit the Royalty Fee, Brand Development Fund Contribution, Digital Infrastructure Administrative Fee, and any other ongoing, percentage-based fees attributable to such transaction in the Dogdrop Master Account, and the remaining balance of funds from each such transaction, less any merchant service fees incurred as a result of such transaction (currently, 3.5% of each transaction), will be deposited in the Connected Franchisee Account. You may withdraw funds from your Connected Franchisee Account to a separate bank account; however, funds withdrawn from the Connected Franchisee Account may take up to forty-eight (48) hours to reach your separate bank account.

We reserve the right to modify the frequency or method of payment of the Royalty Fee, Brand Development Fund Contribution, Digital Infrastructure Administrative Fee, and all fees payable to us upon thirty (30) days prior notice to you. If we elect to do so, you may be required to comply with any Gross Sales reporting requirements that we establish.

<sup>3</sup> You are required to spend the greater of Two Thousand Dollars (\$2,000) or two percent (2%) of Gross Sales each month on local advertising for the Franchised Business in the Territory. Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter. You may not establish your own social media platforms, such as Facebook, Twitter/X, TikTok, LinkedIn, Google My Business, Yelp, Nextdoor, blogs, or other networking and sharing websites, unless you first receive our written approval to do so and such use is in strict accordance with our requirements. We will own all social media accounts, and will provide you with owner or administrative access to necessary accounts. We have the right to remove content without your consent for any reason that we determine, in our discretion, including but not limited to failure to meet brand guidelines, risk of brand damage, inappropriate content, use of licensed music, or privacy violations.

<sup>4</sup> Your Brand Development Fund Contribution is equal to three percent (3%) of Gross Sales, subject to increases not to exceed four percent (4%) of Gross Sales upon notice to you, generated by your Franchised Business, and will be paid to us at the same time and in the same manner as the Royalty Fee. We reserve the right to modify the allocation between



your Brand Development Contribution and the required minimum local advertising expenditure upon sixty (60) days prior notice to you.

<sup>5</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. If you receive an unsatisfactory review, you will undergo additional shops at your expense until your Dogdrop outlet receives a satisfactory review.

<sup>6</sup> We may offer mandatory and/or additional training programs or a national business meeting or annual convention. The total amount of required ongoing training and/or annual meetings will be five (5) days or less per year and will be held at a location we designate. We reserve the right to impose a reasonable fee for all additional training programs, including the national business meeting or annual convention. Currently, we charge Five Hundred Dollars (\$500) per person for all additional training programs, including 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> In the event of your death or disability, absence of a qualified General Manager, or other reasons, in our sole discretion, we may provide interim on-site management of your Franchised Business. In the event of your default of the Franchise Agreement or non-compliance with the Brand Standards Manual, we may, in our sole discretion, exercise our right to temporarily operate your Franchised Business in an effort to assist in getting the operations of the Franchised Business back into compliance with the Franchise Agreement and Brand Standards Manual.

<sup>8</sup> You must indemnify and hold us, our affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT  
(For a Single Franchised Business)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee <sup>1</sup>	\$12,000	Lump sum payment in cash or available funds.	Upon signing the Franchise Agreement	Us
Initial Training Fee	\$6,500	Lump sum payment in cash or	30 days before opening	Us

		available funds.		
Platform Onboarding Fee	\$15,000	Lump sum payment in cash or available funds.	10 days after signing Franchise Agreement	Us
Site Selection and Construction Fee	\$7,000	Lump sum payment in cash or available funds.	Within twenty (20) days after signing the Franchise Agreement	Us
Marketing and Design Fee	\$7,500	Lump sum payment in cash or available funds.	Within sixty (60) days after signing the Franchise Agreement	Us
Technology Set Up Fee	\$7,000	Lump sum payment in cash or available funds.	Within ninety (90) days after signing the Franchise Agreement	Us
Your Training Expenses	\$10,000 - \$15,000	Lump sum and as required for transportation, lodging & meals	Before opening and as required by suppliers of transportation, lodging & meals	Suppliers of transportation, lodging & meals
Third Party Training Expense	\$225 - \$360	As required by supplier	As required by supplier	Supplier of dog CPR training program
Lease deposit <sup>2</sup>	\$6,050 - \$20,000	As required by landlord	As required by landlord	Landlord
Utility Deposit <sup>3</sup>	\$0 - \$600	As required by utility providers	As required by utility providers	Utility providers
Rent (3 months) <sup>4</sup>	\$18,050 - \$33,750	As required by landlord	As required by landlord	Landlord
Utilities (3 months)	\$900 - \$1,800	As required by utility providers	As required by utility providers	Utility providers
Millwork & Fixtures <sup>5</sup>	\$27,000 - \$55,000	As required by supplier	Before opening as required by supplier	Supplier

Leasehold Improvements, Construction and/or Remodeling <sup>6</sup>	\$140,000 - \$320,000	As required by supplier, contractor or landlord	Before opening, as required by supplier	Suppliers, contractor and/or Landlord
Architect/ Design Fees <sup>7</sup>	\$10,000 - \$15,000	As required by supplier or contractor	Before opening as required by supplier	Approved architect, suppliers and/or approved contractor
Appliances <sup>8</sup>	\$3,000 - \$6,000	As required by supplier	Before opening	Suppliers
Signage <sup>9</sup>	\$5,000 - \$16,000	As incurred	Before opening	Suppliers
Business Licenses and Permits <sup>10</sup>	\$750 - \$1,000	As required by government agencies	Before opening, as required by government agencies	Government Agencies
Technology Purchases <sup>11</sup>	\$4,000 - \$5,500	As required by suppliers	Before opening	Suppliers
Internet Service (3 Months)	\$375 - \$450	As required by suppliers	As required by internet service provider	Internet service provider
Third-Party Software Fees <sup>12</sup>	\$900 - \$1,200	As required by suppliers	As required by suppliers	Suppliers
Initial Inventory <sup>13</sup>	\$3,000	As required by suppliers	Before opening	Suppliers and Us
Professional Fees <sup>14</sup>	\$3,000 - \$10,000	As required by providers	As incurred	Attorney, Accountant, Other Professional Service Providers
Association Membership Fees <sup>15</sup>	\$300 - \$750	As Required by local Chamber of Commerce or local business networking group	As incurred	Local Chamber of Commerce or local business networking group
Initial Launch Marketing & Promotions <sup>16</sup>	\$20,000	As incurred	As incurred	Us and Suppliers
Insurance <sup>17</sup>	\$3,500 - \$5,000	As required by insurer	Before opening	Insurer

Additional Funds / working Capital – 3 months <sup>18</sup>	\$45,000 - \$60,000	As incurred	Payroll weekly, other purchases according to agreed-upon terms	Employees, utilities, suppliers, etc.
TOTAL		\$356,050 - \$645,410		

### **Explanatory Notes**

<sup>1</sup> Please see Item 5 for information on incentive programs that may offer a discount on the Initial Franchise Fee. The amounts stated in the Table is for one outlet operated pursuant to a single Franchise Agreement. If you sign the Multi-Unit Development Agreement, you will pay a Development Fee based on the number of Dogdrop outlets you agree to develop. The amount stated in this Table assumes you will develop the minimum of two (2) Dogdrop outlets. If you are granted the rights to develop more than two (2) Dogdrop outlets, the Development Fee will increase for each additional outlet.

<sup>2</sup> The Franchised Business can be operated on ground floor retail of multi-family, mixed use space, or potentially a strip mall or standalone building. The low end of this estimate represents a one (1) month deposit of rent for a location of 2,200 square feet at \$33.00 per square foot. The high end of this estimate represents a one (1) month deposit for a location of 2,600 square feet at \$45.00 per square foot. These costs vary widely from place to place. This estimate is based on the experience of our affiliate-owned outlet in Los Angeles, California. Rental rates may be more or less than this range depending on the location of your Franchised Business. In certain real estate markets, rents may be three times higher or more than the rents on which the estimates in the above table are based. 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. 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>3</sup> The low end of this estimate assumes the franchisee already has credit history with utility companies, so no deposit is required. The high end of this estimate includes a deposit equal to one month of estimated utility expense. 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. These costs will vary depending on the type of services required for the facility and the municipality or utility provider from which they are being contracted. We have based our estimate on the experiences of our affiliates. 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 based off of three (3) months of rent. The low end of this estimate is representative of a 2,200 square foot store at \$33.33 per square foot. The high end of this estimate is representative of a 2,600 square foot store at \$36.36 per square foot. You may

receive rent abatement during the initial stages of operations as part of your lease. If you are able to negotiate rent abatement, your initial rent costs may be lower than those listed in the Table and you may be required to pay no rent or a reduced rent percentage during a specified timeframe of your lease. Your rent abatement will be highly individualized to the Franchised Business location, and we cannot estimate the amount of the rent abatement you will be able to negotiate with your landlord.

<sup>5</sup> This estimate includes millwork and fixtures for your front lobby.

<sup>6</sup> This estimate is for the costs for improvements to your Franchised Business location with a tenant improvement allowance from the landlord. This estimate includes costs to remodel a site to conform to Dogdrop's system standards and includes such items as electric, general construction, soundproofing, concrete sealing, fiberglass-reinforced plastic for walls, etc. We have based this estimated on it costing approximately \$35 per square foot on the low end and \$125 per square foot on the high end to make brand specific alterations. The range of estimates is highly dependent upon the tenant allowance provided by the landlord and the condition of the space. For locations whereby we or our franchisee has signed a lease, the landlord provided a tenant allowance of \$45 and \$90 per square foot for the respective locations.

<sup>7</sup> This estimate is for costs to adapt the standard Dogdrop's design plan to the franchisee's specific location. You may receive a tenant improvement allowance as part of your lease. If you are able to negotiate a tenant improvement allowance, your initial leasehold improvement costs may be lower than those listed in the Table or your landlord may pay all or a portion of your leasehold improvement costs back to you during a specified timeframe. Your tenant improvement allowance will be highly individualized to the Franchised Business location, and we cannot estimate the amount of the tenant improvement allowance you will be able to negotiate with your landlord.

<sup>8</sup> This estimate includes refrigerator, microwave and commercial washer and dryer.

<sup>9</sup> This estimate is for the cost to survey site, sign permits, produce and install signage, interior (or glass) vinyl graphics and possible monument signage.

<sup>10</sup> This is an estimate of the costs of building 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. This estimate does not include a construction permit if needed.

<sup>11</sup> This estimate includes the cost of our current required computer and technology systems. 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 computer and technology systems at any time.

<sup>12</sup> This estimate includes the monthly access fees for the first three (3) months of operations for software that we require you to use in the operation of your Franchised Business (excluded the Dogdrop proprietary software), Customer Relationship Manager software, accounting software, scheduling software, communication-related software.

<sup>13</sup> This estimate is for the cost of the initial inventory, including dog-related supplies (such as beds, bowls, toys, food, etc.), uniforms, towels, cleaning supplies, printed materials, and items for retail sale. You are required to purchase certain branded inventory from us prior to opening that we estimate to be \$1,500. The inventory you purchase from us is non-refundable.

<sup>14</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>15</sup> All Dogdrop outlets are required to join their local Chamber of Commerce or an approved local business networking group.

<sup>16</sup> To effectively launch Dogdrop and stimulate pre-sales for Founding Memberships, a \$20,000 Pre-Opening Marketing budget is required. This allocation encompasses various essential marketing components such as local marketing flyers, postcards, out-of-home (OOH) advertising, influencer marketing, content creation, social media, local events, hosting a grand opening party, media buying, and more. The Pre-Opening Marketing period starts 60 days before your Franchised Business is scheduled to open, and you will direct these payments to our approved suppliers and to us or our affiliates.

<sup>17</sup> Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. Each policy must be written by a responsible carrier or carriers approved by 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 semi-annual 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>18</sup> This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business during the first three (3) months after commencing operations and assumes your location opens during a slow time of year. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate. This estimate includes such items as initial payroll and payroll taxes, Royalties (as described in this disclosure document), Brand Development 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.

We relied upon the experience of our affiliate-owned Dogdrop outlet(s) to compile these estimates. If you currently operate a dog daycare services business and are converting it to a Dogdrop franchised business, you may not incur all of the expenses in this table, or your expenses may be lower. You should review these figures carefully with a business advisor before making any decision to invest in the franchise. 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; supply chain; 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. Notwithstanding, we cannot estimate or guarantee when, or whether, any individual franchisee will achieve positive cash flow or profits. 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.

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Development Fee (Note 1)	\$24,000 (assuming two additional Franchised Businesses)	Lump sum	When Franchise Agreement and Multi-Unit Development Agreement are signed	Us
Estimated Initial Investment to Open One Franchised Business (Note 2)	\$356,050 - \$645,410	Estimated Initial Investment is based on the estimate contained in the Table above of this Item 7 for a Franchise Agreement.		
Total Estimate (Note 3)	\$380,050 - \$669,410			

### **Explanatory Notes**

<sup>1</sup> When you sign a Multi-Unit Development Agreement, you must also sign a Franchise Agreement for the first Franchised Business that you will be required to develop under your Multi-Unit Development Agreement. In addition to paying us the Initial Franchise Fee for your first Franchise Agreement, you will pay us a Development Fee equal to \$12,000 per additional location we grant you to develop and open. The amount of the Development Fee varies depending on the number of additional Franchised Businesses that you will be authorized to develop within the Development Area. The minimum number of Franchised Businesses you can open under the Multi-Unit Development Agreement is two and the number contemplated in this chart is three Franchised Businesses.

<sup>2</sup> This is the estimated initial investment for the development of one Franchised Business as reflected in the Table above.

<sup>3</sup> This is the total estimated investment to enter into a Franchise Agreement and a Multi-Unit Development Agreement. This estimate does not include the estimated initial investment that you will incur each and every time you develop a Franchised Business under your Multi-Unit Development Agreement, except for your first Franchised Business. We cannot assure you that you will not have additional expenses toward the development of Dogdrop businesses under the Multi-Unit Development Agreement. We recommend you review



these estimates carefully with your business advisor, accountant or attorney before making any decision to sign the Multi-Unit Development Agreement.

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

We have identified various suppliers, distributors and manufacturers of equipment, fixtures, furnishings, supplies and services that your Franchised Business must use or provide which meet our standards and requirements. You must purchase all equipment, fixtures, furnishings, uniforms, marketing materials, 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, uniforms, marketing materials, 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 with a \$1,000 evaluation fee 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 90 days after we receive all required information to evaluate the product or service. If we do not approve any request within 90 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. If we revoke an approval on an item or supplier, you will receive notice in writing. 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 also charge for our actual costs of product testing and evaluation.

At our option, you must engage (i) our approved commercial real estate broker(s) or advisor(s) (which may include us) to assist you in finding the site for your Franchised Business; (ii) our approved or designated firm (which may include us) to assist in lease negotiations; and (iii) our approved architect to assist in the design of your Franchised Business. We reserve the right to require you to use additional service providers, including but not limited to signage vendors, insurance brokers, millwork and FF&E vendors.

You must license the Dogdrop proprietary software from us for use in the operation of your Franchised Business. Our software was created for two main purposes: (1) to create a streamlined tool to manage the daily operations of a dog daycare location and (2) provide a personalized digital experience to the customers of that daycare. The management side of the software handles check-in and check-out, payment processing, analyzing trends in data, and communicating with customers based on their visits. The customer side of the software allows the customer to view past visits, see photos of their dog from visits, and view upcoming events. We are currently the only approved supplier for this software. We are also the supplier of certain Dogdrop branded dog products that are required for your Franchised Business. Other than the above, neither we nor any of our affiliates is the sole approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business but reserve the right to be in the future. None of our officers own any interest in any approved



or designated supplier for any product, good, or service that you are required to purchase for the operation of your Franchised Business, but they reserve the right to do so in the future.

We will provide products to franchisees from which we will derive revenue. We may also derive revenue from franchisees' purchase of certain products and services from our designated or approved suppliers. Any rebates or discounts we receive may be kept by us in our sole discretion. In the fiscal year ending December 31, 2023, we derived \$0 from required products from franchisees. Other than the above, we did not receive any revenue, rebates, discounts, or other material consideration from suppliers based on franchisees' required purchases of products, supplies, or equipment.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 80% to 90% of your costs to establish your Franchised Business and approximately 10% to 20% 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.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

In addition to the purchases described above, you must obtain and maintain, at your expense, insurance coverage. Our System may regulate the types, amounts, terms and conditions of insurance coverage for your franchise and standards for underwriters of policies providing required insurance coverage; our protection and rights under the policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims. Our standards and requirements for insurance coverages will be included in the Franchise Agreement and our Brand Standards Manual and will be periodically updated. Our current coverage minimums are listed in the table below.

Policy/Coverage Type	Minimum Limits
Business Owners Policy (BOP) or Commercial Package Policy (CPP)	<ul style="list-style-type: none"><li>• <b>General Liability:</b> \$2 million per occurrence, \$4 million aggregate (\$5,000 Medical Pay).</li><li>• <b>Damage to Premises Rented:</b> \$1,000,000.</li><li>• <b>Property Damage:</b> All perils coverage to property inside &amp; outside (including Fine Arts) the Shop (Min. \$12,000 BPP Limit).</li></ul>

	<ul style="list-style-type: none"> <li>• <b>Business Interruption:</b> Amount equal to at least 12 months of lost business income + any necessary continuing expenses.</li> <li>• <b>Coverage to include: Money &amp; Securities, Personal Injury, Boiler &amp; Machinery.</b></li> </ul>
Automobile & Vehicle Coverage	<ul style="list-style-type: none"> <li>• Coverage for any vehicles used in operating the Shop or owned by the Shop, \$1 million per occurrence. Coverage to included Hired-Non-Owned Autos Coverage. State requirements for uninsured and underinsured coverage.</li> </ul>
Workers Compensation	<ul style="list-style-type: none"> <li>• Minimum requirements imposed by the jurisdiction(s) in which the Shop operates.</li> <li>• <b>Employers Liability Coverage:</b> \$1 million/\$1 million/\$1 million.</li> </ul>
Umbrella/Excess Liability	<ul style="list-style-type: none"> <li>• Minimum \$4,000,000 excess limit above: BOP/CPP, Automobile, &amp; Employers Liability</li> <li>• \$50,000 Crisis Management.</li> </ul>
Cyber Liability & Data Breach	<ul style="list-style-type: none"> <li>• \$1,000,000 per occurrence with coverage features deemed to be sufficient by Franchisor and/or Insurance Broker.</li> </ul>
Employment Related Practices Liability (EPLI)	<ul style="list-style-type: none"> <li>• \$100,000 per occurrence.</li> </ul>
*Flood / Wind / Hail/ Builders Risk (Not included in expenditure estimates)	<ul style="list-style-type: none"> <li>• Depending on fit-out/construction, geography, some Shops may be required by their landlord or lender to carry additional coverages. Required limits will vary.</li> </ul>

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 reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement. We reserve the right to require a designated broker who can negotiate better rates on our franchisees behalf, track any loss history for the system, and ensure that all franchisees are complying with our insurance requirements.

#### 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>Section or Article in Multi-Unit Development Agreement</b>	<b>Item in Franchise Disclosure Document</b>
a. Site Selection and Acquisition/Lease	8.1	Not Applicable	11
b. Pre-Opening Purchase/Leases	8.3, 10.5, 12.3.1	Not Applicable	7, 11
c. Site Development & other Pre-Opening Requirements	8.2, 8.3, 12.1.1, 12.1.3	Article 5	11
d. Initial and Ongoing Training	Article 7	Not Applicable	11
e. Opening	8.2.3, 8.3	Not Applicable	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	Article 4	5, 6, 7
g. Compliance with Standards and Policies/Operating Manual	Article 9, 12.1, 19.1.1	Not Applicable	8, 11
h. Trademarks and Proprietary Information	9.4, 12.1.8, Article 14, 19.2, 19.3, 19.4	Not Applicable	13, 14
i. Restrictions on Products/Services Offered	12.1.1, 12.1.4, 12.6	Not Applicable	8

<b>Obligation</b>	<b>Section or Article in Franchise Agreement</b>	<b>Section or Article in Multi-Unit Development Agreement</b>	<b>Item in Franchise Disclosure Document</b>
j. Warranty and Customer Service Requirements	Not Applicable	Not Applicable	Not Applicable
k. Territorial Development and Sales Quotas	13.2	Article 5	12
l. Ongoing Product/Service Purchases	12.1.4, 12.3.5	Not Applicable	8
m. Maintenance, Appearance and Remodeling Requirements	Article 9, 12.1.2, 12.1.5, 12.1.9	Not Applicable	Item 11
n. Insurance	Article 15	Not Applicable	7
o. Advertising	12.1.9, Article 13	Not Applicable	6, 11
p. Indemnification	15.6, 16.3.6, 21.1	Article 9	14
q. Owner's Participation, Management, Staffing	11.1, 11.3, 12.1.6	Not Applicable	11, 15
r. Records /Reports	12.2	Not Applicable	6
s. Inspections and Audits	9.2, 12.1.7, 12.2.5	Not Applicable	6, 11
t. Transfer	Article 16	Article 6	17
u. Renewal	Article 5	Not Applicable	17
v. Post-Termination Obligations	Article 18	Section 7.4	17

<b>Obligation</b>	<b>Section or Article in Franchise Agreement</b>	<b>Section or Article in Multi-Unit Development Agreement</b>	<b>Item in Franchise Disclosure Document</b>
w. Non-Competition Covenants	19.5	Article 8	17
x. Dispute Resolution	Article 20	Article 10	17
y. Guaranty	11.2.6, Attachment 8	Not Applicable	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. Prior to signing a lease or purchase agreement for any location, 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 fifteen (15) business days, either accepting or rejecting the proposed location. If you sign are a multi-unit developer, we will approve sites and assign territories for future and/ or additional units under your Multi-Development Agreement using the then-current site and territory criteria. 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, demographic characteristics of the area, and lease terms. If you sign our Multi-Unit Development Agreement, we will designate your territory and newest location for each Dogdrop location you develop in accordance with our then-current standards. If you do not identify a site that meets our approval and purchase or obtain a lease for that site within ninety (90) days of signing the Franchise Agreement, we reserve the right to terminate the Franchise Agreement. 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. (Franchise Agreement, Sections 8.1.2, 8.1.3,10.1).
- b. provide you with Franchisee criteria and specifications for your Dogdrop outlet. Such criteria and specifications include, but are not necessarily limited to, criteria with

respect to required layout, interior décor and signage. 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. Your architect and contractor must be approved by us. (Franchise Agreement, Sections 8.2.1, 10.2).

- c. provide to you access to the Dogdrop Confidential Brand Standards Manual and other manuals and written material we designate for use in the operation of your Dogdrop Franchise, as they may be revised from time to time. Such documents may be provided electronically or via the internet, at the Franchisor's sole and absolute discretion (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. (Franchise Agreement, Section 10.5) Other than providing this list, we do not provide assistance with providing equipment, signs, fixtures, opening inventory, and supplies. We do not deliver or install these items.
- e. provide you with initial training at one of the Franchisor's headquarters and/or affiliated owned or franchised outlet. We will determine, in our sole discretion, whether you satisfactorily complete the initial training. (Franchise Agreement, Sections 7.1, 7.2).
- f. 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).

## **2. Time to Open**

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Dogdrop outlet is approximately nine (9) to twelve (12) months. 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. If you have not opened your Franchised Business within one hundred twenty (120) days from obtaining the lease for your Franchised Business, you must obtain our consent to extend the time to open, which we may or may not grant, at our discretion. Failure to open your Franchised Business within the original time as extended, is a default of the Franchise Agreement. (Franchise Agreement, Sections, 8.3)

## **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, and/or attend an annual business meeting or franchisee conference for up to five (5) days or less 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 reasonable fee 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. (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 within reasonable limits by telephone, video conference, electronic mail or postage service, subject at all times to availability of our personnel and in reasonable limits (Franchise Agreement, Section 7.6).
- e. from time to time, as may become available, provide you with samples or camera-ready 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. This list will be amended as deemed appropriate by the Franchisor (Franchise Agreement, Section 10.7).
- h. during the opening of your Franchised Business, provide you with on-site opening assistance for up to two (2) days following the opening of your Dogdrop outlet (Franchise Agreement, Section 7.3).
- i. recommend maximum prices for products and services at your Dogdrop outlet, which may vary depending on geographic and other market conditions (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 fourteen (14) business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within fourteen (14) business days, the proposed material and/or campaign is deemed "disapproved". (Franchise Agreement, Section 13.6).

#### **4. Advertising**

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

We require you to spend at least Twenty Thousand Dollars (\$20,000) in opening advertising and promotional activities, at the time and in the manner we specify, in the Territory. Thereafter, you are required to spend the greater of two percent (2%) of the franchised business's Gross Sales, or \$2,000, per month 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. This must be provided within ten (10) days of the Franchisor's request. We reserve the right to collect some or all of your grand opening funds and/or your Local Advertising expenditure and implement grand opening campaign activities and/or Local Advertising on your behalf.

You may develop advertising materials for your own use at your own cost, and you may use marketing materials that we may periodically offer to you. 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 fourteen (14) business days; however, if we do not respond within fourteen (14) 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 Dogdrop franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, Twitter, Instagram, TikTok, YouTube, LinkedIn or any other social media and/or networking site without our prior written approval.

### **Brand Development Fund** (Franchise Agreement, Section 13.3)

You are required to contribute to the Brand Development Fund three percent (3%) of Gross Sales, subject to increases in our discretion, an amount not to exceed four percent (4%) of Gross Sales, generated by your Franchised Business. Each Dogdrop outlet operated by our affiliate or us may contribute to the Brand Development Fund, in our discretion, but has no obligation to do so.

The Brand Development Fund is administered by us. We may use Brand Development 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 Development 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 Development 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 Development Fund.

The Brand Development Fund will not be used to defray any of our other general operating expenses. Brand Development Fund contributions will not be used to solicit new franchise sales.

The Brand Development Fund collects and expends the Brand Development Fund contributions for the benefit of the System as a whole. We reserve the right to use the Brand



Development 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.

The Brand Fund and its earnings shall not otherwise inure to our benefit except that any resulting technology and intellectual property shall be deemed our property.

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

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

No Brand Development Fund Contributions were required, made or expended in our most recently concluded fiscal year. Although the Brand Development 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 Development Fund, however, until all monies in the Brand Development Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

If we spend more or less than the total of all contributions to the Brand Development Fund in any fiscal year, we may carry-forward any surplus or deficit to the next 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 Dogdrop outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. Each Dogdrop outlet will have one vote in the cooperative. 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, you must contribute amounts we require. Your contributions to a regional advertising fund or cooperative will be in addition to your required contributions to the Brand Development Fund; however, contributions made by you to a regional advertising fund or cooperative will be credited against your 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. **Computer Systems** (Franchise Agreement, Section 12.3)

You must purchase and use the hardware, software, system tools and processes as stated in the Brand Standards Manual (the "Computer System"). Currently, you are required to have the following hardware and software:

Hardware: multi-function printer/scanner/copier; high speed internet access; MacBook laptop and iMac desktop computer; iPad, phone system; surveillance system; two-way radios; security system

Software: Dogdrop proprietary software and mobile application; Stripe point of sale system ("POS System"); QuickBooks; Vivint; Slack; Google Docs; JazzHR; Gusto; Connecteam; Coda.

We may in the future modify or establish other sales reporting systems as we deem appropriate, for the accurate and expeditious reporting of Gross Sales and delivery of our products and services. You must fully cooperate in implementing any such modifications at your expense.

The cost of the required computer hardware will range from \$4,000 to \$5,500.

We have an established website that provides information about the system and products and services offered by the Dogdrop System. We have sole discretion and control of the website. We will include a listing on the website linking Franchisee's franchised business location and calendar. Franchisee has no ownership or other proprietary rights to our website and the franchisee will lose all rights to such link to Franchisee's location upon expiration or termination of the Franchise Agreement for any reason.

We will have independent, unlimited electronic access to the information generated by and stored in your Computer System 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 Computer System or any replacements thereto. We cannot estimate the cost of maintaining, updating and upgrading your computer hardware and software because it will depend 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.

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

## 6. Table of Contents of Brand Standards Manual

The Table of Contents of our Dogdrop Brand Standards Manual, current as of the date of this Disclosure Document is attached as Exhibit E. As of the Issuance Date of this Disclosure Document, the Brand Standards Manual has approximately 236 pages.

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

You (if the franchisee is an individual) or your Operating Principal (if the franchisee is a business entity), your General Manager (if any) and your other trainees must complete our Initial Management Training Program, to our satisfaction, at least four (4) weeks prior to opening your Franchised Business. We will train your trainees at our headquarters in Los Angeles, California, another affiliate- or franchise-owned location, or other location, in our discretion:

### TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Use of the Manual	1	0	Los Angeles, CA
Tour of the Location	1	0	Los Angeles, CA
Pre-Opening Procedures	4	4	Los Angeles, CA
Personnel Issues	2	0	Los Angeles, CA
Advertising	4	0	Los Angeles, CA
Management Procedures	4	2	Los Angeles, CA
Franchise Reporting Requirements	4	0	Los Angeles, CA
Accounting/Recordkeeping	2	0	Los Angeles, CA
Customer Service Procedures	4	5	Los Angeles, CA
Information Procedures	1	0	Los Angeles, CA
Application Procedures	1	0	Los Angeles, CA
Safety Procedures	4	5	Los Angeles, CA
<b>Total Hours</b>	<b>32</b>	<b>16</b>	<b>48</b>

We periodically conduct our Initial Management Training Program throughout the year, as needed. Training is currently provided by our Chief Executive Officer, Shaina Denny.

Shaina Denny has helped to establish the Dogdrop Franchise System, and throughout her time as owner of our affiliate-owned location, has worked exclusively in developing and growing the brand. Shaina has over 5 years' worth of experience in Franchise training and dog daycare operation. She oversees all aspects of Dogdrop's brand operations, including product development, service methods and techniques, sales, marketing, brand development, technology, process management, and franchise development. 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 Brand Standards 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.

You will pay the Initial Training Fee which includes the cost of our instructors and training materials for up to three (3) individuals per Franchised Business that attend the same Initial Management Training Program, approved prior to opening. Additionally, 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 Two Hundred Fifty Dollars (\$250) per person per day, subject to change

If you or your General Manager does not complete our Initial Management Training Program to our satisfaction, we reserve the right to terminate the Franchise Agreement; however, we may allow you to repeat the Initial Management Training Program at an additional fee equal to our then-current tuition for additional trainees. We also reserve the right to charge a fee between \$150 and \$300 per hour, or \$3,000 per week to provide initial training, to any manager you appoint, with our approval, after the initial opening of your Franchised Business. You must also pay your manager's travel and personal expenses.

During the opening of your Franchised Business, we will provide you with on-site training, supervision and assistance for opening assistance for up to two (2) 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 and/or an annual conference or national business meeting for up to five (5) 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. The fee for this mandatory training is currently Five Hundred Dollars (\$500) per person and covers the costs 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) Dogdrop outlet within a territory that will be defined after the location of your Dogdrop 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 radius, group of contiguous zip codes political boundaries, natural boundaries, competition and other factors that we deem pertinent. The Territory is based on various demographic data as we determine, in our discretion, which may include minimum numbers of households, average home prices and household incomes. Your Territory will be defined and attached to your Franchise Agreement as Attachment 2. If you do not yet have a location at the signing of the Franchise Agreement, you will receive a non-exclusive site search area list 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 Dogdrop outlet or grant the right to anyone else to open a Dogdrop outlet within the Territory. However, notwithstanding this limited protection we grant you, we reserve all rights to sell out products and services under the Mark in the Territory through alternative distribution channels, as discussed below.

If you sign a Multi-Unit Development Agreement, you will not receive an exclusive development area. 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 Multi-Unit Development Agreement, provided that you are not in default of your Agreement or development schedule, we will not open another Dogdrop outlet or grant the right to anyone else to open a Dogdrop outlet within your development area until the expiration or sooner termination of your Multi-Unit Development Agreement. However, notwithstanding this limited protection right we grant to you, we reserve all rights to sell our products and services under the Marks in the development area through alternative distribution channels, as discussed below.

If you are a multi-unit developer, we will approve sites and territories for future and/ or additional units under your Multi-Development Agreement using the then-current site and territory criteria.

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 Dogdrop 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, Marketing Fund, and Digital Infrastructure Administrative Fee, contribution equal to the average paid during the four (4) calendar quarters immediately preceding the loss of your premises.

Unless you have signed our Multi-Unit Development Agreement, we may, but have no obligation to, consider granting to you the right to establish additional Dogdrop outlets under other franchise agreements if you are in compliance with the Franchise Agreement and

propose to open another Dogdrop 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 Dogdrop 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 reserve the right to merge, acquire or be acquired by, an existing competitive or non-competition franchise network, chain, or other business; however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement.

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 Dogdrop outlet location, such as distribution through retail outlets, including but not limited to, malls; in captive market locations; higher education campuses 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 Dogdrop 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. You may ship products from your Dogdrop outlet to customers outside of your territory only if requested by the customer. If another Dogdrop franchisee completes a shipping order to a customer located in your territory that has requested the order from that franchisee, you will not be entitled to any compensation as a result of that franchisee completing the order.

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

DogDrop IP Holding, 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 Dogdrop outlets in accordance with the System. The Franchise Agreement will license to you the right to operate your Franchised Business under the Dogdrop service mark, as described below (“Principal Mark”):

Mark	Registration Number	Registration Date	Register
DOGDROP	6,849,158	September 20, 2022	Principal

We have also filed the following Mark with the USPTO:

Mark	Serial Number	Filing Date	Register
Dogs are people too.	97155030	December 3, 2021	Principal
	98493226	April 10, 2024	Principal

With regard to the above mark only, we do not have a federal trademark. Therefore, our this mark does not have as many legal benefits and rights as a federally registered trademark. If our right to use this mark is challenged, you may have to change to an alternative mark, which may increase your expenses.

All affidavits and renewals have been or will be filed at the appropriate time by DogDrop IP Holding, LLC.

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 the Franchisor 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. Licensor 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 Licensor 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.

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. DogDrop, Inc. is party to a coexistence agreement with Jax Dog Drop, Inc., dated November 24, 2020, in which Jax Dog Drop, Inc., has consented to the registration of the Marks and DogDrop, Inc. has agreed that the Marks will not be used to offer or sell dog day care services in the State of Washington. Our and your rights to use the Marks are subject to these restrictions.

There are no currently effective agreements that significantly limit Licensor's 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 the date of this Disclosure Document, 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 the date of this Disclosure Document, 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.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. 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 our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed to by us to you. You must cooperate fully with us in defending and/or settling litigation.

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 Dogdrop outlet; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System; the Brand Standards 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 Renewal 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 9).

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.

We reserve the right to modify or discontinue using the subject matter covered by a patent or copyright. In such event, we may require you, at your expense, to modify or discontinue using the subject matter in the operation of your Franchised Business.

**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 the day-to-day operations of your Dogdrop outlet. If you are a business entity, you must designate and retain (subject to our approval) at all times an individual to serve as the “Operating Principal” who will be primarily responsible for your Franchised Business and exercise decision making authority on behalf of the Franchised Business. Your Operating Principal is required to have at least ten percent (10%) equity interest in the franchisee entity. If you are an individual, you must perform all obligations of the Operating Principal. You may appoint a “General Manager” to oversee the day-to-day operations of your Dogdrop outlet, but you must remain active in overseeing the Franchised Business. If you sign a Multi-Unit Development Agreement, you must have a General Manager in all Franchised Businesses you are not directly supervising. Your General Manager can either be you or someone appointed by you who is acceptable to us. If the franchisee is a business entity, your General Manager is not required to have an equity interest in the franchisee entity.

Your Operating Principal and General Manager must successfully complete our Initial Management Training Program and all other training courses we require. Your Operating Principal and General Manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. You or your principal(s) must successfully complete our Initial Management Training Program and all other training courses we require. In addition, if you appoint a General Manager, your General Manager must successfully complete our Initial Management Training Program.

Your General 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 9. 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 8.

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

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future. You may only offer products and services that we have previously approved.

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 Dogdrop 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. You must comply with the reciprocity, membership and transfer programs we implement, as we periodically modify them. We may periodically develop and implement membership programs for the Dogdrop franchise and affiliate system. Participation in such membership programs may include accepting new customers and providing customer services according to pre-paid terms that we establish or that may have been established by another Dogdrop franchisee or affiliate owned location. Participation also may include invoicing us or another franchisee for services rendered for customer-members of a different Dogdrop location. You must fully participate in all such membership programs according to our System Standards.

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 and 5.5	If you are in good standing as defined below, you can sign a successor agreement for an additional term of 10 years each, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchise is located.
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, pay to us a Successor Agreement Fee equal to \$2,500, 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. You may be asked to sign a new Franchise Agreement with materially different terms

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			and conditions than your original Franchise Agreement.
d.	Termination by franchisee	None	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 upon your death or permanent disability, and the Franchise must be transferred within six 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).
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; commit any act of animal abuse or which results in injury of any dog in your care, or omit to take action where such omission amounts to animal abuse or results in injury of any dog in your care; default under any lease for the premises; understate Gross Sales 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</p>

	Provision	Section in Franchise Agreement	Summary
			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 three (3) or more times within any twelve (12)-month period; or terminate the Franchise Agreement without cause.
i.	Franchisee's obligations on termination/ non-renewal	Article 18	Upon termination, you must: cease operations; cease to identify yourself as a Dogdrop 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 attorneys' fees; deliver to us all Confidential Information, the Brand Standards Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; pay liquidated damages; 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 and software accounts and the lease for the location.
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).
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

	Provision	Section in Franchise Agreement	Summary
			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 Management 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 Attachment 3 to the Franchise Agreement; 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 seventy five percent (75%) of the then-current initial franchise fee. For transfers: (i) to an existing Dogdrop franchisee in good standing, the transfer fee shall be equal to fifty percent (50%) of the then-current initial franchise fee; or (ii) among existing principals, members or shareholders, or to add a business entity or new shareholder or member of the franchisee entity such that management control does not change, the transfer fee shall be equal to \$1,500.
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	We shall have the option, to be exercised upon termination of the Franchise Agreement, 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 upon your death or permanent disability, and the Franchise is transferred within six months to a replacement franchisee that we approve.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
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 Dogdrop 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 Dogdrop 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 20 miles of your former Dogdrop outlet location or any other Dogdrop 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 Brand Standards 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 21.4	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 disclosure document and Franchise Agreement may not be 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, 20.3, and 20.4	At our option, claims that are not resolved internally may be submitted to binding arbitration 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 20.5	Litigation takes place in California, subject to applicable state law.
w.	Choice of law	Section 20.5	California law applies, subject to applicable state law.

## THE FRANCHISE RELATIONSHIP

**(UNDER THE MULTI-UNIT DEVELOPMENT AGREEMENT)**

**This table lists certain important provisions of the multi-unit development agreement. You should read these provisions in the agreement attached to this disclosure document.**

	<b>Provision</b>	<b>Section in Multi-Unit Development Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Art. 4	As determined by you and us based on the number of Dogdrop outlets you are to develop.
b.	Renewal or extension of the Term	Not Applicable	Not Applicable
c.	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by franchisor without cause	Section 6.6	The Multi-Unit Development Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Development Rights are transferred within 6 months to a replacement developer that we approve.
f.	Termination by franchisor with cause	Article 7	We may terminate only if you default. The Multi-Unit Development Agreement describes defaults throughout. Please read it carefully.
g.	"Cause" defined – curable defaults	Section 7.3	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Multi-Unit Development Agreement and described in h. immediately below).
h.	"Cause" defined - non-curable defaults	Sections 7.1 and 7.2	The Multi-Unit Development 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. We may terminate the Multi-Unit Development Agreement upon notice to you if you: misrepresent or omit a material fact in applying for the Development Rights; falsify any report to us; fail to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of Developer's Dogdrop outlets, including, but not limited to, the failure to pay taxes; fail to develop the Dogdrop outlets in accordance with the Mandatory Development Schedule; attempt



	Provision	Section in Multi-Unit Development Agreement	Summary
			a transfer in violation of the Multi-Unit Development Agreement; 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; fail to comply with non-competition covenants; default, or your affiliate defaults, under any other agreement, including any Franchise Agreement, with us or any of our affiliates, suppliers or landlord and does not cure such default within the time period provided in such other agreement; or terminate the Multi-Unit Development Agreement without cause.
i.	Franchisee's obligations on termination/ non-renewal	Section 7.4	Upon termination, you must: cease all development operations and comply with the non-disclosure and non-competition covenants.
j.	Assignment of contract by franchisor	Section 6.1	No restrictions on our right to assign.
k.	"Transfer" by franchisee defined	Section 6.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Multi-Unit Development Agreement or Development Rights.
l.	Franchisor approval of transfer by franchisee	Sections 6.2, 6.3	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 developers; you have paid us all amounts owed; transferee signs our then-current form of Multi-Unit Development Agreement, which may have materially different terms from your Multi-Unit Development Agreement; you and the transferee sign a General Release in the form of Attachment 3 to the Franchise Agreement; you shall subordinate any claims you have against the transferee to us; our approval of the material terms and conditions of the transfer; payment of a transfer fee equal to fifty percent (50%) of the then-current initial franchise fee multiplied by the number of remaining Franchised Businesses to be developed under the Multi-Unit Development Agreement.

	<b>Provision</b>	<b>Section in Multi-Unit Development Agreement</b>	<b>Summary</b>
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 6.5	You must promptly notify us of any written offer to purchase your Development Rights. 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	Not Applicable	Not Applicable
p.	Death or disability of franchisee	Section 6.6	The Multi-Unit Development Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Development Rights are transferred within 6 months to a replacement developer that we approve.
q.	Non-competition covenants during the term of the franchise	Section 8.3.1	You may not: divert, or attempt to divert, customers of any Dogdrop 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, induce any person employed by us to leave their employment; 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 8.3.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Dogdrop 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 20 miles of your former Dogdrop outlet location or any other Dogdrop outlet location, induce any person employed by us to leave their employment; 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	Section 12.4	No oral modifications. No amendment of the provisions will be binding upon either party unless the amendment has been made in writing and executed by all interested parties.

	Provision	Section in Multi-Unit Development Agreement	Summary
t.	Integration/merger clause	Section 12.4	Only the terms of the Multi-Unit Development Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of Multi-Unit Development Agreement may not be enforceable. Notwithstanding the foregoing, nothing in the Multi-Unit Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 10.1, 10.2, 10.3, and 10.4	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, and post-termination obligations.
v.	Choice of forum	Section 10.5	California, subject to applicable state law.
w.	Choice of law	Section 10.5	California 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 Shaina Denny, 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California, 213-429-4073, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
System-wide Outlet Summary  
For Years 2021 to 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	1	+1
Company – Owned*	2021	1	1	0
	2022	1	1	0
	2023	1	2	+1
Total Outlets	2021	1	1	0
	2022	1	1	0
	2023	1	3	+2

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

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table No. 3  
Status of Franchised Outlets  
For Years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
Colorado	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

Table No. 4  
Status of Company Owned\* Outlets  
For Years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
California	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	1	0	0	0	2
Total	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	1	0	0	0	2

Table No. 5  
Projected Openings as of December 31, 2023

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company Owned Outlets in the Next Fiscal Year
California	0	0	1
Colorado	0	0	1
Florida	1	5	0
Total	1	5	2

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

Exhibit F lists the location of each Dogdrop 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**

Exhibit D contains our audited financial statements dated as of December 31, 2023, December 31, 2022, and December 31, 2021.

Our fiscal year end is December 31.

**ITEM 22:      CONTRACTS**

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- |    |                                     |                     |
|----|-------------------------------------|---------------------|
| 1. | Franchise Agreement                 | Exhibit B           |
| 2. | Multi-Unit Development Agreement    | Exhibit C           |
| 3. | Franchisee Acknowledgment Statement | Exhibit G (page 63) |

**ITEM 23:      RECEIPT**

A receipt in duplicate is attached to this Disclosure Document as Exhibit I. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Dog Franchise Group, LLC, 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, CA 90012.

## EXHIBIT A

### AGENCIES/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.

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



State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8211 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 14 <sup>th</sup> Floor, Dept 414, Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

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

**DOG FRANCHISE GROUP, LLC**  
**FRANCHISE AGREEMENT**

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**ATTACHMENTS:**

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ATTACHMENT 2: TERRITORY

ATTACHMENT 3: GENERAL RELEASE

ATTACHMENT 4: AUTHORIZATION AGREEMENT (ACH WITHDRAWALS)

ATTACHMENT 5: CONDITIONAL ASSIGNMENT OF LEASE

ATTACHMENT 6: STATEMENT OF OWNERSHIP INTEREST IN FRANCHISEE/ ENTITY

ATTACHMENT 7: INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT

ATTACHMENT 8: GUARANTY

ATTACHMENT 9: CONFIDENTIALITY AND NON-COMPETE AGREEMENT

DOG FRANCHISE GROUP, LLC  
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is being entered into this \_\_\_\_\_, (the “Effective Date”) by and between Dog Franchise Group, LLC, a California limited liability company with its principal place of business at 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California 90012 (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 collectively referred to in this Agreement as the “Franchisee”.

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established a unique and distinctive pet service business which features, among other things, daycare services for pet dogs and retail services for dog-related products and supplies using Franchisor’s designs, and using Franchisor’s confidential brand standards 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 Dogdrop service marks, 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 a Dogdrop franchise (the “Franchise” or “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 operate, and will not authorize any other Dogdrop franchisees, to operate, a franchised Dogdrop outlet 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 Dogdrop 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. Notwithstanding anything contained in this Agreement to the contrary, Franchisee specifically acknowledges and agrees to abide by the Dogdrop reciprocity policy, described in the Manual and as modified from time to time. This policy may prohibit Franchisee from selling any membership that does not provide full reciprocity benefits to all of Franchisee’s customers. It may also require Franchisee, among other things, to transfer members from Franchisee’s Franchised Business to another Dogdrop affiliate- or franchise-owned location based on the current Dogdrop reciprocity policy.
  - 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 service 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 of distribution in the Territory other than a dedicated Dogdrop, such as non-traditional retail locations, including, but not limited to, malls, 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.
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 OPTIONS.**

- 5.1. 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 term equal to ten (10) years. The term of such Successor Franchise Agreement shall commence upon the date of expiration of the immediately preceding term. Franchisee shall be charged a renewal fee equal to twenty-five percent (25%) of the then-current initial franchise fee (“Successor Agreement Fee”).
- 5.2. Form and Manner of Renewal. If Franchisee desires to exercise Franchisee’s option to enter into a Successor Franchise Agreement, it shall be done in the following manner:
  - 5.2.1. 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).
  - 5.2.2. 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.
  - 5.2.3. 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.
  - 5.2.4. 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.
  - 5.2.5. 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.
- 5.3. Conditions of Successor Agreement. Franchisee’s right to enter into a Successor Franchise Agreement is conditioned upon the following:
  - 5.3.1. 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.

- 5.3.2. Franchisee shall not have committed three (3) or more events constituting default during the Term of this Agreement, whether or not such defaults were cured.
- 5.3.3. Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.
- 5.3.4. 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.
- 5.3.5. Franchisee shall execute a general release of all claims Franchisee may have against Dog Franchise Group, LLC its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in the form attached hereto as Attachment 3. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.
- 5.3.6. 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 renewal date.
- 5.3.7. Franchisee shall pay the required Successor Agreement Fee and sign the Successor Franchise Agreement.
- 5.4. 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 Dogdrop 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 Successor 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 successor 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 Successor Franchise Agreement. Any timeframes specified in this Paragraph 5 shall be inclusive of any state mandated notice periods.
- 5.5. Additional Reservation of Rights. Notwithstanding anything herein to the contrary, Franchisor reserves the right not to enter into a successor franchise agreement for 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 Twelve Thousand Dollars (\$12,000.00) (the "Initial Fee"). **The Initial 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 currently equal to two percent (2%) of the Gross Sales, 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"). We have the right to increase your Royalty Fee to up to three percent (3%) of Gross Sales upon notice to you. The term "Gross Sales" 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 Sales shall include the full amount payable by your customers, without deduction for Franchisee's delivery costs, third party delivery fees, or for other write-offs; however, Gross Sales 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).

6.1.2.1. Franchisee is required to participate in all customer loyalty, customer feedback or other promotional programs that Franchisor designates. Franchisor will have sole discretion over any gift certificate, stored value card, loyalty card, voucher and/or customized promotional receipts programs for the System. Franchisee will be required to participate in these programs and comply with any requirements Franchisor sets for participation, including as to how Franchisor addresses the purchase and redemption of these cards among Dogdrop outlets for purposes of determining Gross Sales at the Franchised Business.

6.1.3. Method of Payment. All products and services sold at the Franchised Business will be administered through the Dogdrop proprietary software system, and transacted

through Franchisor's master account (the "Dogdrop Master Account") with the point-of-sale system ("POS System") that Franchisor may require Franchisee to use in the operation of the Franchise Business. Franchisee is required to establish a subaccount with the POS System through the Dogdrop Master Account (the "Connected Franchisee Account"), to which Franchisee is required to connect a designated business bank account. Upon each client transaction, the POS System will deposit the Royalty Fee and Brand Development Fund Contribution attributable to such transaction, in the Dogdrop Master Account, and the remaining balance of funds from each such transaction, less any merchant service fees incurred as a result of such transaction, shall be deposited in the Connected Franchisee Account. Franchisee may withdraw funds from its Connected Franchisee Account to a separate bank account; however, Franchisee acknowledges that funds withdrawn from the Connected Franchisee Account may take up to forty-eight (48) hours to reach such separate bank account. Franchisor reserves the right to modify the frequency or method of payment of the Royalty Fee and Brand Development Fund Contribution upon thirty (30) days prior notice to Franchisee. If Franchisor exercises the foregoing right, Franchisee shall be required to comply with any Gross Sales reporting requirements that Franchisor establishes.

- 6.2. Late Fee; Interest. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof be subject to a late fee of One Hundred Dollars (\$100.00) in addition to the overdue amount, and 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. The foregoing is reasonably related to Franchisor's costs resulting from the delay in payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement.
- 6.3. Non-Sufficient Funds Fee. In the event any of Franchisee's payments to Franchisor are returned, or if any withdrawals from the Connected Franchisee Account permitted under this Agreement fail, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, a non-sufficient funds fee of One Hundred Dollars (\$100.00) 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.
- 6.4. Taxes. If any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on Franchisor for any Royalty Fee, Brand Development Fund Contribution or other fees due and payable to Franchisor under this Agreement, Franchisee shall pay Franchisor a sum equal to the amount of such tax.
- 6.6. Digital Infrastructure Administrative Fee. Franchisee shall pay to Franchisor an ongoing fee of three percent (3%) of Gross Sales per month for required software and applications provided by Franchisor to Franchisee ("Digital infrastructure Administrative Fee"). This fee is paid to us to administer and develop proprietary software, web hosting, assigned phone numbers, franchise portal, benchmarking platform, and/or other operations or communications systems. This fee is exclusive of the fees paid to third parties for these

services which may increase or decrease based on supplier pricing fluctuation.

- 6.7 Non-Compliance Fee. In the event Franchisee is not in compliance with any terms of this Agreement or the manual, Franchisee shall pay to Franchisor a non-compliance fee equal to Five Hundred Dollars (\$500.00) per incident or per day, as the case may be (“Non-Compliance Fee”). Franchisor reserves the right to withdraw this Non-Compliance Fee as incurred from the Connected Franchisee Account.
- 6.8 Communication Center Fees. Franchisor reserves the right to establish a national or regional call center or other centralized communications system (a “Communication Center”). In the event that a Communication Center is established, Franchisee shall be required to pay to Franchisor or to the Communication Center provider fees for all communications directed to Franchisee for services to be provided at the Franchised Business location in accordance with the provider’s then-current fee schedule and Franchisor’s requirements. If established, Franchisor reserves the right to withdraw any fees associated with the Communication Center from the Connected Franchisee Account.
- 6.9 Automatic Withdrawal Authorization. At Franchisor’s request, Franchisee must execute documents, including but not limited to, the Authorization set forth in Attachment 4, to allow the Dogdrop Master Account to withdraw the Digital Infrastructure Administrative Fee, and any other payments due to Franchisor permitted under this Agreement from the Connected Franchisee Account. Franchisee’s failure to allow such withdrawals from the Connected Franchisee Account on an ongoing basis is a material breach of this Agreement. If any funds for payment are not available in the Connected Franchisee Account at the time of the transaction, in addition to any other rights Franchisor may have pursuant to this Agreement, Franchisor may direct the Merchant Service Provider to record the required transaction as a liability to the Connected Franchisee Account.
- 6.10 Platform Onboarding Fee. You will pay us Fifteen Thousand Dollars (\$15,000.00) within ten (10) days after you sign the Franchise Agreement (the “Platform Onboarding Fee”). The Platform Onboarding Fee includes access to the Dogdrop Customized Wiki which is a collaborative online platform for franchisees providing our procedures, guidelines, policies; initial training modules for store opening; our dedicated communication platform; and other related resources on our web-based platform.
- 6.11 Site Selection and Construction Fee. You will pay us Seven Thousand Dollars (\$7,000.00) within twenty (20) after you sign the Franchise Agreement (the “Site Selection and Construction Fee”). The Site Selection and Construction Fee includes our assistance in your site selection and construction for your Franchised Business.
- 6.12 Branded Products and Supplies. You will be required to purchase branded products and supplies from us. You will make an initial purchase prior to opening and will continue to order from us throughout the term of this Agreement.

## 7. TRAINING.

- 7.1. Initial Management Training Program. Franchisee, if Franchisee is an individual, or Franchisee's Operating Principal (as hereinafter defined), if Franchisee is a business entity), and Franchisee's General Manager (as hereinafter defined) shall attend and complete to Franchisor's sole and absolute satisfaction, Franchisor's initial management training program ("Initial Management Training Program") prior to the opening of the Franchised Business. The Initial Management Training Program is conducted at one of Franchisor's headquarters and/or affiliated owned or franchised outlet, or virtually. Franchisor reserves the right to designate an alternate location for any component of the Initial Management Training Program. Franchisee must at all times during the term of this Agreement have an Operating Principal that has successfully completed the Initial Management Training Program to Franchisor's sole and complete satisfaction. The cost for up to three (3) individuals to attend the same Initial Management Training Program prior to opening the Franchised Business ("Initial Trainees") is Six Thousand Five Hundred Dollars (\$6,500) (the "Initial Training Fee"). You will pay the Initial Training Fee prior to training which shall be thirty (30) days before opening or at a time we determine to be appropriate. Additional to 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. Our current fee to provide initial training to any additional trainees is Two Hundred Fifty Dollars (\$250) per person per day, subject to change. The Initial Training Fee is due prior to attending the Initial Management Training Program. The Initial Training Fee is nonrefundable.
- 7.2. Satisfactory Completion. Franchisor shall determine, in Franchisor's sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Management Training Program, which shall include mastery of post-course applications. If the Initial Management Training Program is not satisfactorily completed by the Initial Trainees, Franchisor may permit any Initial Trainee to repeat any component of the Initial Management Training Program, and Franchisor shall have the right to impose a fee equal to Franchisor's then-current tuition for additional trainees. If Franchisor, in Franchisor's reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial Management 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 two (2) 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 five (5) days or less per year. Franchisor reserves the right to impose a reasonable fee for all additional training programs. 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 or Franchisee's 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, video conference, 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 LOCATION 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 prior to obtaining the proposed site. Franchisor shall have fifteen (15) 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 fifteen (15) 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 (or such longer period as Franchisor consents to in writing), Franchisee shall execute a lease therefor and obtain physical possession of the premises. Any lease must include Franchisor's Collateral Assignment of Lease Agreement, a copy of which is attached hereto as Attachment 5. Failure by Franchisee to acquire the site for the Franchised Business (i) in the manner required herein and (ii) ninety (90) days after the execution of this Agreement shall constitute a material event of default under this Agreement.
- 8.1.4. Upon consent by Franchisor to the location for the Franchised Business, Franchisor shall set forth the location and Territory on Attachment 2 of this Agreement and shall provide a copy thereof to Franchisee. Attachment 2, as completed by Franchisor, shall be incorporated herein and made a part hereof. Franchisee shall notify Franchisor within fifteen (15) days of any error or rejection of Attachment 2; otherwise, Attachment 2 provided to Franchisee shall be deemed final.

## 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 relating to the Franchised Business premises; including but not necessarily limited to restrictions on noise, odors from paints and stains, required cross-ventilation, storage, use, and disposal of paints and stains. 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.
- 8.2.4. With respect to the foregoing Sections 8.1 and 8.2 of this Agreement, Franchisor reserves the right to require Franchisee to engage (i) Franchisor's approved commercial real estate broker(s) or advisor(s) (which may include Franchisor or its affiliate(s)) to assist Franchisee in finding the site for the Franchised Business; (ii) Franchisor's approved or designated firm (which may include Franchisor or its affiliate(s)) to assist in lease negotiations; and/or (iii) Franchisor's approved architect to assist in the design of the Franchised Business Location.
- 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 one hundred twenty (120) days after Franchisee has executed a lease for the premises, 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 Management Training Program, as further set forth in Article 7, (iii) hire and train staff 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 two hundred ten (210) days 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 pay to Franchisor a relocation fee equal to twenty five percent (25%) of the then-current initial franchise fee;
  - 8.4.2. 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;
  - 8.4.3. 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;
  - 8.4.4. 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, Brand Development Fund Contribution and Digital Infrastructure Administrative Fee 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
  - 8.4.5. Franchisor shall issue a revised Attachment 2, in accordance with Section 8.1.5, to reflect the address of the new Franchised Business location.
  - 8.4.6. If a relocation site acceptable to Franchisor is not identified within ninety (90) days following Franchisee's request to relocate, Franchisor may terminate this Agreement.

## **9. MAINTENANCE AND IMPROVEMENT OF THE FRANCHISED LOCATION AND SYSTEM.**

- 9.1. Maintenance of Franchised Business Location. Franchisee shall equip and maintain the Franchised Business location, 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 location in conformance with best practices for animal accommodations, handling, caretaking, service, and waste disposal and in a manner that will ensure 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 within seventy-two (72) hours of Franchisee's receipt of such report. 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 this Section 9.2, 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, 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 building designs, interior decors, color schemes, marks, and/or 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 three (3) 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 studio 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. Provide to Franchisee criteria and specifications for a Dogdrop outlet. Such criteria and specifications include, but are not necessarily limited to, criteria with respect to required layout, interior décor, and signage. 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. Provide Franchisee access to the Confidential Brand Standards 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. Provide Franchisee with 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. Provide samples or camera-ready artwork of certain advertising and promotional materials and information periodically developed by Franchisor for use by Franchisee in marketing and conducting local advertising for the Franchised Business.
- 10.7. List of Suppliers. Periodically make available, and amend as deemed appropriate by Franchisor, a list of approved and/or recommended suppliers of products and services for System franchisees.
- 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 location in accordance with the provisions of Article 7.
- 10.10. Brand Development Fund. Administer a Brand Development Fund in accordance with Section 13.3.

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

- 11.1. Best Efforts. Franchisee, including each of Franchisee's Principals covenants and agrees 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. Franchisee is duly organized and validly existing under the state law of its formation;
  - 11.2.2. Franchisee is duly qualified and is authorized to do business in the jurisdiction of the Franchised Business location and the Territory;
  - 11.2.3. Franchisee'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;
  - 11.2.4. 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;

11.2.5. 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; and

11.3 Spousal Guaranty. If any Franchisee or Principal is a married individual and the Franchisee's or Principal's spouse has not executed this Agreement, such Franchisee or 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 8 hereof.

11.4. Personal Supervision.

11.4.1 Franchisee accepts full responsibility for, and shall be fully liable to, Franchisor for the acts and omissions of any and all agents, employees or third persons working for or with Franchisee. Franchisee shall ensure that its agents, employees and all third-party business affiliates observe and adhere to all applicable terms, conditions and restrictions contained in this Agreement and in the Manual; including but not limited to quality and service standards, confidentiality, works made for hire, non-compete and the agreement to return all Franchisor proprietary and confidential information. Any breach of a term or condition contained in this Agreement by an agent, employee or third party working for Franchisee shall be deemed to be the same as a direct breach by Franchisee and its Principals; and Franchisor shall have all the same rights and remedies as if the breach occurred through the direct acts or omissions of the Franchisee and/or its named Principals.

11.4.2 Franchisee shall be actively involved in the management of the Franchised Business. Notwithstanding the foregoing, Franchisee shall designate and retain at all times an Operating Principal (the "Operating Principal") to be primarily responsible for and exercise decision-making authority on behalf of the Franchised Business. The Operating Principal shall be Franchisee, if Franchisee is an individual, or a Principal that owns at least ten percent (10%) equity interest in Franchisee, if Franchisee is a business entity. Franchisee shall designate its Operating Principal prior to attending the Initial Training Program. The Operating Principal shall, during the entire period he or she serves as Operating Principal, meet the following qualifications:

- (i) 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.
- (ii) 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 Franchisor's consent, which may be withheld in Franchisor's sole discretion.

(iii) Satisfy the training requirements set forth in Article 7.

11.4.3 Notwithstanding the requirements of Section 11.4.2, Franchisee may also designate and retain at all times a general manager (the "General Manager") to direct the daily operation and management of the Franchised Business. The General Manager may be Franchisee, if Franchisee is an individual, or a Principal. Franchisee shall designate its General Manager prior to attending the Initial Training Program. The General Manager shall, during the entire period he or she serves as General Manager, meet the following qualifications:

- (i) Meet 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.
- (ii) Shall devote his or her full time and best efforts to the daily operation of the Franchised Business, and may not engage in any other business activity without Franchisor's consent, which may be withheld in Franchisor's sole discretion.

(iii) Satisfy the training requirements set forth in Article 7.

11.4.4 If either the Operating Principal or 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 Operating Principal or the General Manager, as the case may be, ceases to serve, such replacement being subject to the same qualifications required by this Agreement (including, but not limited to, completing all training and obtaining all certifications required by Franchisor). Until such replacement is designated, 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 Franchisee the then-current interim management support fee until a replacement Operating Principal or General Manager is properly trained or certified in accordance with Franchisor's requirements. Franchisee shall pay the interim management support fee, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, upon written demand by Franchisor, or Franchisor may withdraw such amounts 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 required, fictitious name registrations, sales and other tax permits, fire and police department clearances, Americans With Disability Act compliance, health permits, certificates of occupancy, any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation and any other requirement, rule, law or regulation of any federal, state or local jurisdiction.

- 11.6. Claims and Potential Claims. Franchisee shall notify Franchisor in writing within twenty-four (24) hours 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 location, 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 included in Attachment 7 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, software, and social media, or other such accounts used or created by Franchisee in order to operate the Franchised Business. 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 filed by Franchisee with any state or federal taxing authority.
- 11.9. 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 Location. In order 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 designated and approved by Franchisor;

12.1.2. Maintain and operate the Franchised Business location 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;

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 goods for sale 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 daycare services for pet dogs and selling dog-related products 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. If Franchisee fails to satisfy a customer, and elects to issue a refund to the customer, Franchisee shall process such refund through the Connected Franchisee Account. If Franchisor is involved in resolving a dispute between Franchisee and a customer, Franchisor reserves the right, in its sole discretion, to issue a refund on Franchisee's behalf from the Connected Franchisee Account;

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 insure 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 location 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 location 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.

## 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 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 Confidential 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 and any other financial statements and/or key

performance reports that Franchisor requires, all of which shall be prepared in accordance with generally accepted accounting principles and practice or otherwise in accordance with Franchisor's standards and specifications. 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 ("Financial Records"). If Franchisor's examination finds that any discrepancy of two percent (2%) or more between the amounts transacted through the POS System and the Financial Records, 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 (which amounts may be retained by the Dogdrop Master Account). 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. Franchisor will maintain the Dogdrop Master Account with the POS System, and Franchisee shall be required to open a subaccount with the POS System under the Dogdrop Master Account. Franchisee's subaccount with the POS System will be connected to the Dogdrop proprietary software account associated with your Franchised Business to allow the POS System to process all transactions administered through the Dogdrop proprietary software.

12.3.2. Franchisee acknowledges and agrees that the Dogdrop proprietary software and Franchisee's subaccount with the POS System under the Dogdrop Master Account will permit Franchisor to independently and electronically access and retrieve any information stored in Franchisee's POS System hardware and software and other computer systems installed and used at the Franchised Business location. 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. It shall be a default of this Agreement if Franchisee takes any action to prevent Franchisor's access to the Dogdrop proprietary software or Franchisee's subaccount with the POS System.

- 12.3.3 Any and all customer data collected or provided by Franchisee, retrieved from Franchisee's POS System lead capture, software, 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.
- 12.3.4. 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.
- 12.3.5. 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.
- 12.3.6. Franchisor has established a website that provides information about the System and the products and services offered by the Dogdrop 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.
- 12.3.7. In addition to Franchisee's obligations pursuant to Section 6.4 hereof, Franchisee shall pay all other fees, whether to Franchisor or to third party vendor(s), 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.
- 12.3.8. 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.

- 12.4. Safety and Security of Premises. Franchisee is solely responsible for the safety and security of the Franchised Business location 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 recommend or set maximum prices for services and products offered by Franchisee, which may vary depending on geographic and other market conditions. 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 of One Thousand Dollars (\$1,000.00) for inspection and testing, in addition to Franchisor's costs and expenses incurred in testing and evaluation. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within ninety (90) 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.

- 12.8. Variations in Standards. Notwithstanding anything to the contrary contained in this Agreement and this Section 12 in particular, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.
- 12.9 Employee Background Check. Franchisee shall conduct a background review of every prospective employee's criminal history and any other histories (such as motor vehicle, and/or credit histories) that are required by state and local laws, regulations, and ordinances and/or that Franchisee determines to be necessary and appropriate, prior to hiring. Franchisee shall not hire any prospective employee for any position involving entrance on or into private property if such prospective employee's background review indicates, in Franchisee's sole discretion, a propensity for violence, dishonesty, negligent, reckless, or careless behavior, or a conviction for any crime reasonably related to the prospective employee's employment. Notwithstanding the foregoing, all matters of employment and the safety of Franchisee's customers, and their clients are within Franchisee's discretion and control. Franchisor shall not be liable to franchisee, any employee or prospective employee or Franchisee, or any third party for any act or omission of Franchisee or any employee or agent of Franchisee, and Franchisee's indemnification obligations set forth in Section 15.6 hereof shall apply to any claims, demands or actions against Franchisor arising from any act or omission of Franchisee or any employee or agent of Franchisee (including, without limitation, refusal to hire or discrimination claim or claims asserted by third parties for torts allegedly committed by any employee or agent of Franchisee).
- 12.10 Technology Setup Fee. You will pay us Seven Thousand Dollars (\$7,000.00) at the time of the initial technology set-up of the Franchised Business or within ninety (90) days after signing the Franchise Agreement, whichever is earlier (the "Technology Setup Fee"). The Technology Setup Fee covers the initial cost of the Dogdrop technology services including, but not limited to web hosting, assigned phone numbers, Company customer relationship management (CRM), proprietary software, our franchise portal, benchmarking platform, and/or other operations or communications systems.
- 12.11 Email Fee. You will pay us Twelve Dollars (\$12.00) or the then-current rate, whichever is greater, per month for each email account you request. You will pay this fee monthly on the tenth (10<sup>th</sup>) day of each calendar month.

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

13.1. Marketing and Design Fee; Advertising Programs. You will pay us Seven Thousand Five Hundred Dollars (\$7,500.00) within sixty (60) days after the Effective Date (the “Marketing and Design Fee”). The Marketing and Design Fee covers our initial assistance with the marketing and design needs of your Franchised Business. 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 the greater of (i) two percent (2%) of the Franchised Business’s Gross Sales, or (ii) Two Thousand Dollars (\$2,000.00) per month on advertising for the Franchised Business in the Territory set forth in Attachment 2 (“Local Advertising”). 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. Additionally, Franchisor reserves the right to require Franchisee to direct all or a portion of Franchisee’s required Local Advertising expenditures to Franchisor’s local, regional or national marketing vendor(s), which may include Franchisor or Franchisor’s affiliate(s). Franchisor reserves the right to collect some or all of Franchisee’s Local Advertising expenditure and implement Local Advertising on Franchisee’s behalf.

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 Twenty

Thousand Dollars (\$20,000.00) 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. Franchisor reserves the right to collect some or all of Franchisee's grand opening funds and implement grand opening campaign activities on Franchisee's behalf.

### 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, marketing, and brand development (the "Brand Fund"). Franchisee is required to contribute to the Brand Development Fund three percent (3%) of Gross Sales to the Brand Development Fund ("Brand Development 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 Development Fund Contribution to any amount not to exceed four percent (4%) of Gross Sales. Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross Sales, 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 Development Fund Contribution payable. Franchisor shall reconcile amounts when Gross Sales are reported. Collectively, Franchisee's Brand Development Fund Contribution and minimum Local Advertising expenditure, as detailed above, shall be referred to as Franchisee's "Marketing Requirement". Franchisor reserves the right to modify the Marketing Requirement allocation between Franchisee's Brand Development Fund Contribution and Franchisee's required Local Advertising expenditure upon sixty (60) days prior notice to Franchisee.
- 13.3.2. Franchisor shall direct the Brand Fund 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 Development 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 Development Fund on the same basis as Franchisee with respect to Dogdrop outlets operated by Franchisor or Franchisor's affiliates.
- 13.3.4. Franchisor may use the Brand Development 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 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 Development 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 except that any resulting technology and intellectual property shall be deemed the property of Franchisor.

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 Development 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. 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 establish any business profile on Facebook, Twitter, Instagram, TikTok, LinkedIn, YouTube, or any other social media and/or networking site without Franchisor's prior written approval and in strict accordance with Franchisor's requirements. Franchisor will own all social media accounts, and will provide Franchisee with owner or administrative access to necessary accounts. Franchisor shall have the right to remove content in Franchisor's discretion and without Franchisee's consent for any reason that Franchisor determines, including but not limited to, failure to meet brand guidelines, risk of brand damage, inappropriate content, use of licensed music, or privacy violations.

- 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 fourteen (14) business days of Franchisor's receipt thereof. If Franchisor fails to respond to Franchisee's submission within fourteen (14) 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 Dogdrop brand and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.
- 13.7 Initial Launch and Marketing. To effectively launch Dogdrop and stimulate pre-sales for Founding Memberships, a \$20,000 Pre-Opening Marketing budget is required. This allocation encompasses various essential marketing components such as local marketing flyers, postcards, out-of-home (OOH) advertising, influencer marketing, content creation, social media, local events, hosting a grand opening party, media buying, and more. The Pre-Opening Marketing period starts sixty (60) days before your Franchised Business is scheduled to open, and you will direct these payments to our approved suppliers and/or to us or our affiliates.

## **14. INTELLECTUAL PROPERTY.**

### **14.1. Ownership.**

- 14.1.1. Franchisee expressly understands and acknowledges that Dogdrop IP Holding, LLC, or its successor ("Licensor") is 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 Licensor claims copyrights on certain material used in the System, including but not limited to its website, documents, project designs, advertisements, promotional materials, and the Manual, whether or not Franchisor has 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, Licensor and Franchisor 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 or Licensor'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 or Licensor'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 location 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 Licensor, 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 Licensor's interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor's or Licensor'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 Licensor's rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor or Licensor with all assignments, affidavits, documents, information and assistance Franchisor or Licensor reasonably requests to fully vest in Franchisor or Licensor all such rights, title, and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor or Licensor 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 "Dogdrop" 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 Dog Franchise Group, LLC”.

- 14.7.2. Franchisee shall identify itself as the owner of the Franchised Business and as an independent Dogdrop 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 the commencement of any operations under this Agreement, 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 written by a carrier or carriers approved by Franchisor, 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). Franchisor reserves the right to designate a specific broker that Franchisee must use to procure required insurance policies.

15.1.1. Liability. Commercial general liability insurance, including contractual liability, public liability, personal injury, products liability and advertising injury coverage in the amount of at least Two Million Dollars (\$2,000,000) per occurrence and Four Million Dollars (\$4,000,000) aggregate, with medical payments limit of at least Five Thousand Dollars (\$5,000) per occurrence;

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 Employment Practices Liability Insurance. Coverage for defense costs and damages related to various employment-related claims including allegations of wrongful termination, discrimination, workplace harassment and retaliation. Coverage for wage and hours and employment practices in the amount of One Hundred Thousand Dollars (\$100,000) per claim and coverage for employed lawyers in the amount of Fifty Thousand Dollars (\$50,000) per claim;

15.1.4. Property. Coverage for damage to rented premises in an amount of at least One Million Dollars (\$1,000,000), as well as fine arts coverage in the amount of at least Twenty-Five Thousand Dollars (\$25,000) and business personal property coverage of at least Twelve Thousand Dollars (\$12,000);

15.1.8. Money and Securities. Accounts receivable and valuable papers coverage in the amount of at least Twenty-Five Thousand Dollars (\$25,000) each; and

15.1.9. Umbrella. Umbrella coverage which includes: (i) general limit of Four Million Dollars (\$4,000,000) aggregate; (ii) products-completed operations limit of Four Million Dollars (\$4,000,000) aggregate; (iii) occurrence limit subject to general aggregate of Four Million Dollars (\$4,000,000); and (iv) crisis management service expenses of at least Fifty Thousand Dollars (\$50,000).

- 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. 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 a reasonable fee 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.
- 15.6. Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS DOG FRANCHISE GROUP, LLC, DOGDROP IP HOLDING LLC, DOGDROP, INC., AND ANY OF THEIR PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES, (COLLECTIVELY REFERRED TO AS THE DOGDROP INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO THE OPERATION, CONDITION, OR ANY PART OF FRANCHISEE'S DOGDROP®, THE FRANCHISED BUSINESS, THE PRODUCTS, THE PREMISES, OR ANY ASPECT OF THE REAL ESTATE CONNECTED TO FRANCHISEE'S FRANCHISED BUSINESS, WHETHER CAUSED BY FRANCHISEE, FRANCHISEE'S AGENTS OR EMPLOYEES, OR ARISING FROM FRANCHISEE'S ADVERTISING OR BUSINESS PRACTICES. FRANCHISEE AGREES TO PAY FOR ALL THE FRANCHISEGROUP'S 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 DOGDROP INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE DOGDROP INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD THE DOGDROP INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE THE DOGDROP INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE DOGDROP 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 a Dogdrop 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 pet 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 Principals of the business 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. Franchisee shall not 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 it 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 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 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;

16.3.6. The transferee agrees to renovate, refurbish, remodel, or replace, at the transferee's own cost, the real and personal property and equipment used in operating the



Franchised Business within the timeframe specified by Franchisor in order to comply with Franchisor's then-current specifications;

- 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 all claims brought against Franchisor by the transferee for a period of three (3) years following the transfer;
- 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 its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal 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 to: (i) an individual or entity that is new to the System, Franchisee shall pay Franchisor a transfer fee equal to seventy-five percent (75%) of the then-current Initial Fee; (ii) an individual or entity that is already an existing owner in the System in good standing, Franchisee shall pay Franchisor a transfer fee equal to fifty percent (50%) of the then-current Initial Fee; and (iii) existing shareholders or members, or to add a new shareholder or member, of the Franchisee entity and such transfer does not change management control of the Franchisee entity, Franchisee shall pay Franchisor a transfer fee equal to One Thousand Five Hundred Dollars (\$1,500).
- 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; (vi) 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, the executor, administrator, conservator or other personal representative of Franchisee or Principal, as the case may be, shall be required to transfer Franchisee's or 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. Failure to transfer in accordance with the forgoing will constitute a material default and the Franchise granted by this Agreement will terminate. 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 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 Uniform Commercial Code collateral Franchisee uses to secure the SBA Financing, and Franchisor agrees to (i) subordinate its interest in any lien on Franchisee's Uniform Commercial Code collateral to that of the lender of the SBA Financing and (ii) waive 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 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. fails to acquire a site for the Franchised Business, complete construction of the Franchised Business, obtain all licenses and permits for the Franchised Business location before opening, or open the Franchised Business within the time and in the manner specified in Article 8.

17.2.2. falsifies any report required to be furnished Franchisor hereunder;

17.2.3. 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.

17.2.4. 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 8.5.

17.2.5. 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;

17.2.6. 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;

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

- 17.2.8. understates Gross Sales on two (2) occasions or more, whether or not cured on any or all of those occasions;
- 17.2.9. fails to comply with the covenants in Article 15;
- 17.2.10. permits a Transfer in violation of the provisions of Article 16 of this Agreement;
- 17.2.11. 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 of Franchisee as required by Section 16.7.
- 17.2.12. has misrepresented or omitted material facts in applying for the Franchise;
- 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 does anything to 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 knowingly submits any false reports;
- 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 three (3) 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, suppliers or landlord and does not cure such default within the time period provided in such other agreement;

17.2.23. commits any act of animal abuse or which results in injury to any animal in the care of the Franchised Business, or omits or fails to take action where such omission or failure amounts to animal abuse or which results in injury of any animal in the care of the Franchised Business; 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 location 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 to Franchisor Franchisor's then-current interim management fee 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.

## **18. POST-TERMINATION.**

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 Dogdrop outlet owner, franchisee or licensee;

18.1.2. immediately and permanently 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, or use any trade name, trade or service mark or other commercial symbol that suggests an association with Franchisor, Licensor, or the System. 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, 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;
- 18.1.7. 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 Development 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 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; and
- 18.1.8. comply with the non-disclosure and non-competition covenants contained in Article 19.
- 18.1.9 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 weekly 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) thirty-six (36)



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 Telephone Numbers. 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 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, 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. Brand Standards 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 any and all Principals 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 Franchisee's Principals, if any, 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, Franchisee's Principals, 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.

19.2. Confidential Information. Franchisee along with its Principals acknowledge and accept that during the term of this Agreement Franchisee and any Principal will have access to Franchisor's trade secrets, including, but not limited to, formulas, recipes, designs, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial 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 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"). Neither Franchisee

nor any Principal shall, 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 any Principal 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 covenant 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 any Principal develops any new concept, process, product, 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, 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 any Principal 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.
- 19.5. Noncompetition Covenants. Franchisee and each Principal, if any, specifically acknowledge that, pursuant to this Agreement, Franchisee and each Principal, if any, will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee, each Principal and Franchisee's managers and employees. Franchisee and each Principal, if any, 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 each Principal, if any, are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and each Principal, if any, covenant that, except as otherwise approved in writing by Franchisor:

19.5.1. During the term of this Agreement, Franchisee and each Principal, if any, 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 pet service or pet supply business similar to the System; (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 Dogdrop 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 Principals, if any, 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 pet service business within twenty (20) miles of the Territory or any Dogdrop 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 (v) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Dogdrop franchisees.

19.6. Reasonableness of Restrictions. Franchisee and each Principal, if any, acknowledges and agrees 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 Principals, if any, since Franchisee or Principals, as the case may be, have other considerable skills, experience and education which afford Franchisee or Principals, 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 each Principal, if any, acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and

irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee and each Principal, if any, hereby consents to the entry of an injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement.

19.9. No Defense. Franchisee and each Principal, if any, 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.

19.10. Covenants of Employees, Agents and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (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 and proprietary information. Such covenants shall be substantially in the form set forth in Attachment 9 as revised and updated from time to time and contained in the Manual.

## **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 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. Arbitration.

20.3.1. Except disputes not subject to alternative dispute resolution as set forth in Section 20.4, any dispute between Franchisor and Franchisee and/or any Principal arising out of or relating to this Agreement or any of its parts, is invalid, illegal or otherwise

voidable or void, which has not been resolved in accordance with Sections 20.1 or 20.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization.

20.3.2. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 20 will be governed by the Federal Arbitration Act (9 U.S.C. § 1 *et seq.*) and the federal common law of arbitration. All hearings and other proceedings will take place in the then-current location of Franchisor's corporate headquarters, or the offices of the American Arbitration Association, or, if Franchisor so elects, in the county where the principal place of business of Franchisee is then located.

20.3.3. This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

20.3.4. The provisions of this Section 20.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

20.3.5. In proceeding with a arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement.

20.3.6. Except as expressly required by law, Franchisor, Franchisee and any Principal shall keep all aspects of any mediation and/or arbitration proceeding in confidence and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

20.4. Exceptions. Notwithstanding the requirements of Sections 20.2 or 20.3, the following claims shall not be subject to mediation or arbitration:

- 20.4.1. Franchisor's claim for injunctive or other extraordinary relief;
- 20.4.2. disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;
- 20.4.3. disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks;
- 20.4.5. enforcement of Franchisee's post-termination obligations, including but not limited to, Franchisee's non-competition covenants.

FRANCHISEE IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, SUBMITTED TO COURT PURSUANT TO THIS SECTION 20.4 OR OTHERWISE, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

- 20.5. Governing Law and Venue. This Agreement is made in, and shall be substantially performed in the state of California. 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 California. Franchisee and its Principals, except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in California. Franchisee and its Principals, hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.
- 20.6. Mutual Benefit. Franchisee, each Principal, if any, and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, Principals, if any, 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.
- 20.7. Waiver of Jury Trial and Certain Damages. Franchisee and each Principal, if any, hereby waive, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) 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 Principals, if any, agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual damages sustained.



- 20.8. Injunctive Relief. Nothing herein contained (including, without limitation, Sections 20.1 through 20.4 above) shall bar Franchisor from the right to obtain immediate injunctive relief from a court of competent jurisdiction against threatened conduct by Franchisee that may cause Franchisor loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders and preliminary injunctions.
- 20.9. Limitations of Claims. Any and all claims asserted by Franchisee arising out of or relating to this Agreement or the relationship among the parties 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.
- 20.10 Attorneys' Fees. In the event of any action in law or equity by and between Franchisor and Franchisee concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorneys' fees and court cost incurred.
- 20.10. 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 Contractor. Franchisee is and shall be an independent contractor 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 you 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 your 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 Franchisor's Brand Standards Manual or otherwise, does 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. Franchisee acknowledges and 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 Dogdrop 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 Principals, if any, 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, except that nothing in this Agreement or in any related 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 any Principals 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 location 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 Franchised Business location.
- 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. Consent to Do Business Electronically. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions

as, as adopted by the State of California, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement and its Addenda, 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.

21.11. 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.

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

**22. ACKNOWLEDGMENTS.** Franchisee shall acknowledge the truthfulness of the statements contained in Attachment 1 hereto. Franchisee's acknowledgments are an inducement for Franchisor to enter into this Agreement. Franchisee shall immediately notify Franchisor, prior to acknowledgment, if any statement in Attachment 1 is incomplete or incorrect.

*Signature Page to Follow*

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

FRANCHISOR:  
DOG FRANCHISE GROUP, LLC

By: \_\_\_\_\_  
Shaina Denny \_\_\_\_\_, Chief Executive Officer  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

PRINCIPAL:

\_\_\_\_\_

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

PRINCIPAL:

\_\_\_\_\_

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

## ATTACHMENT 1

Marks –

dogdrop

### **ATTCHMENT 3**

#### **TERRITORY DESCRIPTION AND FRANCHISED BUSINESS LOCATION**

Territory (insert map and/or define by zip codes):

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Franchised Business Address:

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## ATTACHMENT 3

### GENERAL RELEASE

\_\_\_\_\_ (“Franchisee”) and its principal(s):

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

(a) Franchisee and Franchisee’s Principal(s) do, for themselves and their successors and assigns, hereby release and forever discharge generally Franchisor and any affiliate, wholly owned or controlled limited liability company, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, agent, executor, administrator, estate, trustee or heir of any of them (the “Released Franchisor Party”), from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Franchisee or Franchisee’s Principal(s) may now have, or may hereafter claim to have or to have acquired of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and antitrust statutes, rules or regulations, in any way arising out of or connected with the Franchise Agreement or this General Release, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against any Released Franchisor Party, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this General Release. In the event Franchisee or Franchisee’s Principal(s) breaches any of the promises, covenants, or undertakings made herein by any act or omission, Franchisee and Franchisee’s Principal(s) shall pay, by way of indemnification, all costs and expenses of any Released Franchisor Party caused by the act or omission, including reasonable attorneys’ fees and costs.

(b) Franchisee and Franchisee’s Principal(s) represent and warrant that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Franchisee or Franchisee’s Principal(s) to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand, or suit shall be made or institute against any Released Franchisor Party because of any such purported assignment, transfer or subrogation, Franchisee and Franchisee’s Principal(s) agree to indemnify and hold such Released Franchisor Party free and harmless from and against any such claim, demand, or suit, including reasonable costs and attorneys’ fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

(c) THIS RELEASE IS A GENERAL RELEASE AND THE PARTIES INTEND AND AGREE THAT IT SHALL BE INTERPRETED, CONSTRUED AND ENFORCED AS SUCH.

(d) Franchisee and Franchisee’s Principal(s) acknowledge, warrant, and represent that no promises, representations, or inducements, except as set forth in this General Release, have been offered or made by any Franchisor Released Party to secure the execution of this General Release, and that this General Release is executed without reliance on any statements or any representations not contained herein. Franchisee and Franchisee’s Principal(s) knowingly waive (1) any claim that this General Release was induced by any misrepresentation or nondisclosure, and (2) any right to rescind or avoid this General Release based upon presently existing facts, known or unknown.



FRANCHISEE AND FRANCHISEE'S 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. Franchisee and Franchisee's Principal(s) also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Released Franchisor Party with respect to any Franchisee Released Claim, and Franchisee and Franchisee's Principal(s) shall defend, indemnify, and hold harmless each of Franchisor Releasees against same.

Executed as of \_\_\_\_\_, 20\_\_.

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_

(Print Name, Title)

PRINCIPAL:

\_\_\_\_\_

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

PRINCIPAL:

\_\_\_\_\_

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

## ATTACHMENT 4

### AUTHORIZATION AGREEMENT AUTOMATIC DEPOSITS (ACH WITHDRAWALS)

Franchisor Name: **Dog Franchise Group, LLC**

I (We) hereby authorize Dog Franchise Group, LLC, 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: Dog Franchise Group, LLC  
905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles,  
CA 90012**

## ATTACHMENT 5

### CONDITIONAL ASSIGNMENT OF LEASE

**FOR VALUE RECEIVED**, the undersigned \_\_\_\_\_ ("Assignor") hereby assigns and transfers to Dog Franchise Group, LLC, a California limited liability company with a notice address of 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California 90012 ("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 a Dogdrop 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  
Dog Franchise Group, LLC (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 a Dogdrop 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 6

### STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE

**Name**

**Percentage of Ownership**

## ATTACHMENT 7

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

**THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT** (the “Agreement”) is made and entered into this day of \_\_\_\_\_ (the “Effective Date”) by and between Dog Franchise Group, LLC, a California limited liability company (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ (the “Franchisee”).

**WHEREAS**, Franchisee desires to enter into a franchise agreement with Franchisor for a Dogdrop business (“Franchise Agreement”) which will allow Franchisee to conduct Internet-based advertising, maintain social media accounts, and use telephone listings linked to the Dogdrop 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 Web Sites, Social Media Accounts and Other Electronic Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding Internet web sites, and the right to hyperlink to certain web sites 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, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Internet Web Sites, Social Media Accounts and other Listings: (i) to transfer all of Franchisee’s Interest in such Internet Web Sites, Social Media Accounts and other 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 Internet Web Sites, Social Media Accounts and other Listings,

Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites, Social Media Accounts and other Listings or will take such other actions with respect to the Internet Web Sites, Social Media Accounts and other 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 Numbers and Listings: (i) to transfer all Franchisee’s Interest in such Telephone Numbers and 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 Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and 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 Internet Web Sites, Social Media Accounts and/or other Listings to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Internet Web Sites, Social Media Accounts and/or other Listings;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s Interest in and to the Telephone Numbers and Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Numbers and 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 Companies 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 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 Listing. 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 exhibits and schedules thereto shall remain in effect as set forth therein.

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

3.9 **Governing Law.** This Internet Listing Agreement shall be governed by and construed under the laws of the State of California, without regard to the application of California conflict of law rules.

***Signature Page to Follow***



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

FRANCHISEE

\_\_\_\_\_

FRANCHISOR:

Dog Franchise Group, LLC

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

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

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

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

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

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

## ATTACHMENT 8

### GUARANTY

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on \_\_\_\_\_ (the “Effective Date”) to Dog Franchise Group, LLC, a California limited liability company (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even 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:

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

ATTACHMENT 9  
CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this \_\_\_\_\_, by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), a franchisee of Dog Franchise Group, LLC, a California limited liability company (“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, including, the registered trademark “Dropdog” and design mark, and certain proprietary products, services, promotions and methods (the “System”) for the establishment and operation of Franchised Business outlets;

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

**WHEREAS**, the 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 Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition; and

**WHEREAS**, Covenantor acknowledges that receipt of and the right to use the 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 such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Franchised Business under the Franchise Agreement.

**b.** Covenantor shall not at any time make copies of any documents or compilations containing some or all of the 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 the Franchised Business.

**d.** Covenantor shall surrender any material containing some or all of the 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 System.

f. Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without written consent.

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

a. In order to protect the goodwill and unique qualities of the System, 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 the Dogdrop outlet or of other franchisees in the 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 pet service business substantially similar to the System.

b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the 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 the Franchised Business or of other franchisees in the Dogdrop System to any competitor, by direct or indirect inducement or otherwise, and/or

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational or supervisory capacity in any pet service business within twenty (20) miles of Franchisee's Territory or any Dogdrop location.

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 OF CALIFORNIA. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF CALIFORNIA. 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 CALIFORNIA; 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: \_\_\_\_\_

**EXHIBIT C**  
**MULTI-UNIT DEVELOPMENT AGREEMENT**



**DOG FRANCHISE GROUP, LLC  
MULTI-UNIT DEVELOPMENT AGREEMENT**

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**ATTACHMENTS:**

ATTACHMENT 1: TRADEMARKS  
ATTACHMENT 2: DEVELOPMENT AREA

DOG FRANCHISE GROUP, LLC  
MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (this “Agreement”) is being entered into this \_\_\_\_\_, (the “Effective Date”) by and between Dog Franchise Group, LLC, a California limited liability company with a principal business address of 905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, California 90012 (herein “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 collectively referred to in this Agreement as the Developer.

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established unique and distinctive pet service businesses (each a “Franchised Business”) which feature, among other things, daycare services for pet dogs and retail services for dog-related products and supplies using Franchisor’s designs, and using Franchisor’s confidential brand standards 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 Dogdrop service marks, 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.

Pursuant to franchise agreements, Franchisor licenses to others the right to operate Franchised Businesses, using the Marks and System, in strict conformity therewith, which may be changed, improved and further developed by Franchisor from time to time (each a “Franchise Agreement”).

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

Developer desires to obtain the right to further develop and expand the System in accordance with the development schedule described in Section 5.2 hereof (the “Mandatory Development

Schedule") within the development area described in Attachment 2 (the "Development Area"), under the System and Marks, on the terms and conditions set forth in this Agreement;

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 DEVELOPMENT RIGHTS.**

- 2.1. Grant. Franchisor hereby grants to Developer, and the Developer hereby accepts from the Franchisor, on the terms and conditions set forth in this Agreement, which includes, but is not limited to, the execution of a Franchise Agreement pursuant to Section 4.1 hereof, the right to develop, construct, open and operate one Franchised Business within the Development Area set forth in Attachment 1. Developer shall be granted rights to establish additional Franchised Businesses in the Development Area, up to the total number of outlets set forth in the Mandatory Development Schedule set forth in Section 5.2 hereof, subject to Developer's full compliance with all conditions precedent to the grant of such rights outlined below, which rights shall be exercised in accordance with Section 4.1 hereof.
- 2.2. Reservation of Rights. Notwithstanding the provisions of Section 2.1 above, Developer understands and agrees Franchisor fully reserves all other rights, other than as specified in this Agreement, for sales, solicitation and distribution of Dogdrop products and services within or outside of the Development Area. This reservation of Franchisor's rights includes, but is not limited to, Franchisor's right to the rights to offer (i) other products or services not offered under the Marks, (ii) other pet service concepts under the Marks or other trademarks, and (iii) products or services through any channel in the Development Area other than a dedicated Dogdrop outlet, such as distribution through retail outlets, including but not limited to, grocery stores and gift shops; in captive market locations, such as airports, hospitals, stadiums and institutional/professional campuses and conferences; and the Internet ("Alternate Distribution Channels").
- 2.3. No License to System and Marks. Developer expressly acknowledges that this Agreement is not a Franchise Agreement and does not grant to Developer any right or license to operate a Franchised Business, distribute any product or service, or use the Marks. This Agreement sets forth conditions which, if fully satisfied, confer upon Developer the rights to enter a Franchise Agreement with Franchisor to establish one or more Franchised Businesses in the Development Area only. Developer's rights to open and operate a Franchised Business and use the System and Marks shall be derived only through the execution of a Franchise Agreement for each Franchised Business to be established in the Development Area.

**3. TERM.** Unless sooner terminated in accordance with this Agreement, the term of this Agreement and all rights granted by Franchisor under this Agreement shall expire on the date on which Developer successfully and in a timely manner has complied with all of Developer's obligations hereunder and has completed the development obligations in accordance with the Development Schedule.

#### **4. DEVELOPMENT AND FRANCHISE FEES.**

- 4.1. Multi-Unit Development Fee. In consideration of the rights granted under this Agreement, Developer shall pay Franchisor a development fee ("Development Fee") equal to Twelve Thousand Dollars (\$12,000.00) for the first Franchised Business Developer agrees to develop as set forth on the Mandatory Development Schedule plus fifty percent (50%) of the initial franchise fee of Twelve Thousand Dollars (\$12,000.00) for each additional Franchised Business Developer agrees to develop as set forth on the Mandatory Development Schedule.

**The Development Fee is fully earned at the time this Multi-Unit Development Agreement is signed and is not refundable under any circumstances.** Developer shall pay the full amount of the Development Fee to Franchisor upon Developer's execution of this Agreement.

- 4.2. Application of Development Fee. Contemporaneous with the execution of this Agreement, Developer shall execute the initial Franchise Agreement for the first Franchised Business to be established pursuant to the Mandatory Development Schedule. Developer shall receive the applicable credit from the Development Fee, which shall be applied to the Initial Franchise Fee due under the initial Franchise Agreement. Provided that Developer is in compliance with the Mandatory Development Schedule and is not otherwise in breach of this Agreement, upon the execution each of additional Franchise Agreement for a Franchised Business to be developed hereunder, Developer shall receive the applicable credit from the Development Fee, which shall be applied to the Initial Franchise Fee payable pursuant to each such additional Franchise Agreement. Upon Franchisor's approval, Developer may enter into the initial Franchise Agreement or any subsequent Franchise Agreement as required under this Agreement using a newly formed entity, such as a limited liability company, corporation or partnership, for the sole purpose of entering into a Franchise Agreement and operating the Franchised Business pursuant thereto, provided that Developer shall also personally sign such Franchise Agreement as a principal.

#### **5. EXERCISE OF DEVELOPMENT RIGHTS.**

- 5.1. Valid Exercise. Developer shall exercise the development rights granted hereunder only by entering into a separate Franchise Agreement with Franchisor for each Franchised Business for which a development right is granted. Developer shall execute and deliver to Franchisor, concurrently with the execution and delivery of this Agreement, Franchisor's current form of Franchise Agreement for the first Franchised Business to be established by Developer pursuant to the Mandatory Development Schedule. For each subsequent

Franchised Business to be established hereunder, Developer shall execute and deliver to Franchisor Franchisor's then-current form of Franchise Agreement, which shall be presented to Developer together with Franchisor's then-current Franchise Disclosure Document. The then-current form of Franchise Agreement may differ from the current form of Franchise Agreement. Further, Developer acknowledges and agrees that Developer shall not receive any initial training related to each additional Franchised Business. Developer hereby waives all obligations by Franchisor to provide any training to Developer contained in each Franchise Agreement, other than the initial Franchise Agreement executed concurrently with this Agreement, by and between Franchisor and Developer. Developer hereby acknowledges and agrees that the training Developer receives pursuant to the initial Franchise Agreement executed concurrently with this Agreement is sufficient to allow Developer to construct, equip, open and operate each of Developer's Franchised Businesses in the Development Area.

- 5.2. **Mandatory Development Schedule.** Subsequent to Developer's signing of this Agreement and the initial Franchise Agreement, and provided that all conditions in Section 5.4 hereof are satisfied or waived, upon the execution of a lease for Developer's first Franchised Business, Developer shall execute an additional Franchise Agreement for the development of the second Franchised Business to be opened under the Mandatory Development Schedule. Provided that all conditions in Section 5.4 hereof are satisfied or waived, upon the execution of a lease for each subsequent Franchised Business to be developed by Developer, Developer shall execute an additional Franchise Agreement for the development of the next Franchised Business to be opened under the Mandatory Development Schedule. Notwithstanding the foregoing, Developer shall open the Franchised Businesses in accordance with the following schedule:

<b>Outlet for Development</b>	<b>Mandatory Open Date</b>
1	___ months following the Effective Date
2	___ months following the Effective Date
3	___ months following the Effective Date

Developer acknowledges and agrees that the terms of the Mandatory Development Schedule are reasonable and viable based upon Developer's independent investigation and analysis. Failure by Developer to adhere to the Mandatory Development Schedule (including any extensions thereof approved by Franchisor in writing pursuant to Section 5.3 below) shall constitute a material event of default under this Agreement.

- 5.3. **Extension of Mandatory Development Schedule.** If Developer is unable to meet the Mandatory Development Schedule for any Franchised Business, Developer may seek a reasonable extension from Franchisor. Any request for an extension must be in writing and submitted to Franchisor at least sixty (60) days prior to the Mandatory Open Date for such outlet. Franchisor shall not unreasonably withhold consent for such reasonable extension provided that Developer has (i) submitted its extension request in a timely

manner; (ii) demonstrated diligent efforts to meet the original Mandatory Open Date; and (iii) has at all times acted in good faith and is otherwise fulfilling its obligations under this Agreement.

- 5.4. Conditions to Exercise Developer's Rights. All of the following conditions must be satisfied or waived, in Franchisor's sole discretion, before Franchisor grants Developer the right to develop an additional Franchised Business in accordance with Section 5.1 hereof and pursuant to a Franchise Agreement:

5.4.1. Developer shall (i) request Franchisor's then-current Franchise Disclosure Document, (ii) submit to Franchisor all information and other documents requested by Franchisor prior to and as a basis for the issuance of Franchise Agreements in the System, (iii) submit to Franchisor all financial statements reasonably requested by Franchisor, and (iv) satisfy Franchisor's then-current financial criteria for multi-unit franchisees.

5.4.2. Developer shall be in full compliance with this Agreement, the Mandatory Development Schedule, and all Franchise Agreements with Franchisor and any other agreement with Franchisor or Franchisor's affiliates; and

5.4.3. Developer has demonstrated the management skills necessary for competent operation, organization, customer service and record keeping of an additional Franchised Business as determined by Franchisor, in Franchisor's sole discretion.

- 5.5. Termination for Failure of Condition. Notwithstanding anything to the contrary contained herein, in the event that Franchisor determines, in Franchisor's sole and absolute discretion, that any condition set forth in Section 5.4 hereof cannot be satisfied, Franchisor may terminate this Agreement upon written notice to Developer. Termination of this Agreement in accordance with this Section 5.5 shall have no effect on the validity of any other agreement between Franchisor and Developer, provided that Developer is in full compliance therewith.

## **6. TRANSFER.**

- 6.1. Transfers by Franchisor.

6.1.1. 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 Developer'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, Developer 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, Developer 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.

- 6.1.2. Developer 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 Developer acknowledges may be within the Development Area, proximate thereto, or proximate to any of Developer's Franchised Businesses).
- 6.1.3. If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the pet services business or to offer or sell any products or services to Developer.
- 6.2. Restrictions on Transfers by Developer. Developer's rights and duties under this Agreement are personal to Developer, and Franchisor has made this Agreement with Developer in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Developer. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.
- 6.3. Transfers by Developer. Developer shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right granted or interest herein or hereunder (a "Transfer") or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless Developer first obtains the written consent of Franchisor, which Franchisor may or may not grant in Franchisor's sole discretion, and subject to the following:
  - 6.3.1. The proposed transferee must be an individual of good moral character and otherwise meet Franchisor's then-applicable standards for multi-unit franchisees.
  - 6.3.2. The transferee must have sufficient business experience, aptitude and financial resources to operate multiple Franchised Businesses and to comply with this Agreement;
  - 6.3.3. The transferee has agreed to complete Franchisor's Initial Training Program to Franchisor's satisfaction;

- 6.3.4. Developer has paid all amounts owed to (i) Franchisor pursuant to this Agreement and all Franchise Agreements and other agreements between Franchisor and/or Franchisor's affiliates and Developer and (ii) third-party creditors;
- 6.3.5. The transferee has executed Franchisor's then-standard form of Multi-Unit Development Agreement, which may have terms and conditions different from this Agreement, for a term no less than the unexpired term of future development obligations due pursuant to the Mandatory Development Schedule of this Agreement;
- 6.3.6. Developer and the transferee 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. Developer agrees to subordinate any claims Developer may have against the transferee to Franchisor, and indemnify Franchisor against all claims brought against Franchisor by the transferee for a period of three (3) years following the transfer;
- 6.3.7. 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 transferee's development obligations. 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 Developer's development rights on such terms and conditions. Developer shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer; and
- 6.3.8. If Developer, through Developer or any entity, finances any part of the sale price of the Transfer, Developer agrees that all obligations of the transferee under any notes, agreements or security interests to Developer or Developer's entity will be subordinate to the transferee's obligations to Franchisor.
- 6.4. Transfer Fee. As a condition to any Transfer, Developer shall pay Franchisor a transfer fee equal to fifty percent (50%) of the then-current initial franchise fee multiplied by the number of remaining Franchised Businesses to be developed hereunder; provided however for transfers among the individuals named as Developer in the introductory paragraph of this Agreement the transfer fee shall be waived.
- 6.5. Franchisor's Right of First Refusal.
- 6.5.1. If Developer wishes to transfer all or part of his or her interest in this Agreement pursuant to any bona fide offer received from a third party to purchase such interest, then Developer 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.



- 6.5.2. Franchisor has the right, exercisable by written notice to Developer 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 for the price and on the terms and conditions contained in the offer.
- 6.5.3. Developer further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the third-party 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; (vi) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from Developer all customary representations and warranties given by a seller of franchise development rights.
- 6.5.4. If Franchisor does not exercise its right to buy within thirty (30) days, Developer 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 6.3 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.
- 6.6 Death or Permanent Disability. The grant of rights under this Agreement is personal to Developer, and on the death or permanent disability of Developer, the development rights granted by this Agreement will terminate, unless prohibited by applicable law. If prohibited by applicable law, the executor, administrator, conservator or other personal representative of Developer will transfer Developer's interest in this Agreement within four (4) months from the date of death or permanent disability, to a third party approved by Franchisor. A transfer under this Section 6.6, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 6 and unless transferred by gift, devise or inheritance, subject to the terms of Section 6.5 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 Developer from supervising the development and operation of Developer's Franchised Businesses continuously for six (6) months from its onset.

## **7. DEFAULT AND TERMINATION.**

- 7.1. Default and Automatic Termination. Developer shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if any Developer shall become insolvent or makes a general assignment for the benefit of creditors; or if any Developer 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 his or her inability to pay debts when due; or if any Developer is adjudicated a bankrupt or insolvent in proceedings

filed against any of Developer 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 any Developer or other custodian for Developer's business or assets is filed and consented to by any of Developer; or if a receiver or other custodian (permanent or temporary) of any Developer'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 any Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if any Developer is dissolved; or if execution is levied against any of Developer's business or property; or if suit to foreclose any lien or mortgage against any of Developer's Franchised Business premises or equipment is instituted against any Developer and not dismissed within thirty (30) days.

7.2. Defaults With No Opportunity to Cure. Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon notice to Developer, if Developer:

- 7.2.1. has misrepresented or omitted material facts in applying for the development rights granted hereunder;
- 7.2.2. falsifies any report required to be furnished Franchisor hereunder;
- 7.2.3. fails to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of Developer's Franchised Businesses, including, but not limited to, the failure to pay taxes;
- 7.2.4. fails to develop the Franchised Businesses in accordance with the Mandatory Development Schedule.
- 7.2.5. attempts a Transfer in violation of the provisions of Article 6 of this Agreement;
- 7.2.6. is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or does anything to harm the reputation of the System or the goodwill associated with the Marks;
- 7.2.7. 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;
- 7.2.8. fails to comply with the non-disclosure and non-competition covenants in Article 8 hereof;

7.2.9. defaults, or an affiliate of any Developer defaults, under any other agreement, including any Franchise Agreement, with Franchisor or any of its affiliates, or with suppliers or any Developer's landlord and does not cure such default within the time period provided in such other agreement; or

7.2.10. terminates this Agreement without cause.

7.3. Curable Defaults. Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Developer fails to cure the default within the time period set forth in this Section 7.3, effective immediately upon notice to Developer, if Developer:

7.3.1. 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 Section 7.2;

7.3.2. fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 7.1 and 7.2 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 Developer 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 7.2.

7.4. Post-Termination Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Developer shall immediately terminate and Developer shall (i) immediately cease all development operations pursuant to this Agreement; and (ii) comply with the non-disclosure and non-competition covenants contained in Article 8.

## **8. NON-DISCLOSURE AND NON-COMPETITION COVENANTS.**

8.1. Confidential Information. Developer acknowledges and accepts that during the term of this Agreement, Developer will have access to Franchisor's trade secrets, including, but not limited to, formulas, recipes, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial 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 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"). Developer 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 Developer's own benefit, any Confidential Information that may be communicated to Developer or of which Developer may be apprised in connection with the development of Franchised Businesses under the terms of this Agreement. Developer 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, without Franchisor's prior written consent. The covenant in this Section 8.1 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Developer.

- 8.2. Protection of Information. Developer shall take all steps necessary, at Developer's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Developer finds that any Confidential Information has been divulged in violation of this Agreement.
- 8.3. Noncompetition Covenants. Developer acknowledges that, pursuant to this Agreement, Developer will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Developer. Developer acknowledges that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to him or her in the development and operation of Franchised Businesses, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Developer is entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Developer covenants that, except as otherwise approved in writing by Franchisor:
  - 8.3.1. During the term of this Agreement, Developer shall not, either directly or indirectly, for himself or herself or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of any Franchised Business to be developed hereunder 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 pet service or pet supply business similar to the System ("Competitive Business"); (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 Dogdrop franchisees or Franchisor-affiliated outlets.
  - 8.3.2. Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Developer shall not, either

directly or indirectly, for himself or herself 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 Businesses to be developed hereunder 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 Competitive Business within twenty (20) miles of the Territory or any Dogdrop outlet; (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 Dogdrop franchisees.

- 8.4. Reasonableness of Restrictions. Developer acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Developer since Developer has other considerable skills, experience and education which afford Developer the opportunity to derive income from other endeavors.
- 8.5. 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 Article 8 or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees to forthwith comply with any covenant as so modified.
- 8.6. Injunctive Relief. Developer acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Developer hereby consents to the entry of an injunction prohibiting any conduct by Developer in violation of the terms of the covenants not to compete set forth in this Agreement.
- 8.7. No Defense. Developer expressly agrees that the existence of any claims he or she 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.

**9. INDEMNIFICATION.** TO THE FULLEST EXTENT PERMITTED BY LAW, DEVELOPER AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS DOG FRANCHISE GROUP, LLC, DOGDROP IP HOLDING, LLC, DOGDROP, INC. AND ANY OF THEIR PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES (COLLECTIVELY REFERRED TO AS THE “DOGDROP INDEMNITEES”) AS WELL AS THE DOGDROP INDEMNITEES’ DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES, FROM ALL CLAIMS BASED UPON ARISING OUT OF, OR IN ANY WAY RELATED TO THE DEVELOPMENT, OPERATION, CONDITION, OR ANY PART OF ANY OF DEVELOPER’S FRANCHISED BUSINESSES TO BE DEVELOPED HEREUNDER, THE PRODUCTS, THE PREMISES, OR ANY ASPECT OF THE REAL ESTATE CONNECTED TO ANY OF SUCH FRANCHISED BUSINESSES, WHETHER CAUSED BY DEVELOPER’S AGENTS OR EMPLOYEES, OR ARISING FROM DEVELOPER’S ADVERTISING OR BUSINESS PRACTICES, REGARDLESS OF WHETHER THE ALLEGED INJURY OR LIABILITY IS CAUSED IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF THE DOGDROP INDEMNITEES. DEVELOPER AGREES TO PAY FOR ALL THE DOGDROP 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 DEVELOPER HEREUNDER. THE DOGDROP INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE DOGDROP INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. DEVELOPER AGREES THAT TO HOLD THE DOGDROP INDEMNITEES HARMLESS, DEVELOPER WILL REIMBURSE THE DOGDROP INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE DOGDROP INDEMNITEES.

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## **10. DISPUTE RESOLUTION**

- 10.1. Internal Dispute Resolution. Developer shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the 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 12.7 below. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer’s dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- 10.2. Mediation. At Franchisor’s option, any claim, controversy or dispute that is not resolved pursuant to Section 10.1 hereof shall be submitted to non-binding mediation. Developer shall provide Franchisor with written notice of Developer’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 Developer'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.

### 10.3. Arbitration.

10.3.1. Except disputes not subject to alternative dispute resolution as set forth in Section 10.4, any dispute between Franchisor and Developer arising out of or relating to this Agreement, the Attachments hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Section 10.1 or 10.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization.

10.3.2. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 10 will be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*) and the federal common law of arbitration. All hearings and other proceedings will take place in Los Angeles, California, or the offices of the American Arbitration Association, or, if Franchisor so elects, in the country where the principal place of business of Developer is then located.

10.3.3. This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Developer, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

10.3.4. The provisions of this Section 10.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

10.3.5. In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the

reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement.

10.3.6. Except as expressly required by law, Franchisor and Developer shall keep all aspects of any arbitration proceeding in confidence, and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

10.4. Exceptions. Notwithstanding the requirements of Sections 10.2 or 10.3, the following claims shall not be subject to mediation or arbitration:

10.4.1. Franchisor's claims for injunctive or other extraordinary relief;

10.4.2. disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

10.4.3. disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks; and

10.4.4. enforcement of Developer's post-termination obligations, including but not limited to, Developer's non-competition covenants.

DEVELOPER IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, SUBMITTED TO COURT PURSUANT TO THIS SECTION 10.3 OR OTHERWISE, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

10.5. Governing Law and Venue. This Agreement is made in and shall be substantially performed in the State of California. 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 California. Developer and its Principals, except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in California. Developer and its Principals, hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.

10.6. Mutual Benefit. Developer and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 10.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Developer 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.



- 10.7. Waiver of Jury Trial and Certain Damages. Developer hereby waives, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) 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 Developer agrees that in the event of a dispute, Developer shall be limited to the recovery of any actual damages sustained.
- 10.8. Injunctive Relief. Nothing herein contained (including, without limitation, Sections 10.1 through 10.3 above) shall bar Franchisor from the right to obtain immediate injunctive relief from a court of competent jurisdiction against threatened conduct by Franchisee that may cause Franchisor loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders and preliminary injunctions.
- 10.9. Limitations of Claims. Any and all claims by Developer arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Developer knew or should have known of the facts giving rise to such claims.
- 10.10. Survival. The provisions of this Article 10 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.

## **11. WAIVER AND RELEASE OF CERTAIN CLAIMS**

- 11.1. Waiver of Claim for Lack of Business Success. Developer acknowledges that Developer has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of developing and operating Franchised Businesses. Developer further acknowledges that no representations of performance (financial or otherwise) for the Franchised Businesses provided for in this Agreement has been made to Developer by Franchisor and Developer hereby waives any claim against Franchisor for any business failure Developer may experience as a developer under this Agreement.

\_\_\_\_\_  
Initial

- 11.2. Release of Prior Claims. BY EXECUTING THIS AGREEMENT, DEVELOPER INDIVIDUALLY AND ON BEHALF OF DEVELOPER'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE DOG FRANCHISE GROUP, LLC, DOGDROP IP HOLDING, LLC, DOGDROP, INC., THE DOGDROP INDEMNITEES, AND ALL OF THEIR OFFICERS, DIRECTORS, SHAREHOLDERS, AGENTS AND SUCCESSORS AND ASSIGNS 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 THIS 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

## 12. GENERAL

- 12.1. Independent Licensee. Developer is and shall be an independent licensee under this Agreement, and no partnership shall exist between Developer and Franchisor. This Agreement does not constitute Developer as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Developer 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. Developer 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 developers or franchisees of Franchisor. Pursuant to the above, Developer agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorney's fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs or judgments against Franchisor arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys fees relative to assignment or the transfer of right to develop and transactional costs relative thereto, defaults under any leases, subleases, notes, receipt of revenues or any other relationships arising directly or indirectly out of the development and operation of the Franchised Businesses.
- 12.2. 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 Developer and his or her 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 Developer in this Agreement, except in accordance with Article 6 hereof.
- 12.3. 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.
- 12.4. 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 Developer, except that nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor made to Developer 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.

- 12.5. 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 Developer shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Developer, if more than one person is so named.
- 12.6. 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.
- 12.7. 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 or registered mail, 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 first above written, or at such other address or addresses as the parties may from time to time designate in writing.
- 12.8. 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 Developer shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind.
- 12.9. 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 Developer 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 7 shall not discharge or release Developer 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.
- 12.10. Consent to Do Business Electronically. The parties to this Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as

adopted by the State of California, the parties hereby affirm to each other that they agree with the terms of this Agreement, and by attaching their signature electronically to this Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to this Agreement can rely on an electronic signature as the respective party's signature.

12.11.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.

12.10.Survival. Any obligation of Developer that contemplates performance of such obligation after termination, expiration or transfer of this Agreement shall be deemed to survive such termination, expiration or transfer.

**13. ACKNOWLEDGMENTS.** Developer hereby acknowledges the truthfulness of the statements contained in Attachment 1 hereto. Developer's acknowledgments are an inducement for Franchisor to enter into this Agreement. Developer shall immediately notify Franchisor, prior to acknowledgment, if any statement in Attachment 1 is incomplete or incorrect.

The parties hereto have executed this Multi-Unit Development Agreement on the day and year first above written.

FRANCHISOR:

DOG FRANCHISE GROUP, LLC

By: \_\_\_\_\_  
Shaina Denny \_\_\_\_\_, Chief Executive Officer  
(Print Name, Title)

DEVELOPER:

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

PRINCIPAL:

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

## ATTACHMENT 1

Marks –

**dogdrop**

**ATTACHMENT 2**  
**DEVELOPMENT AREA DESCRIPTION**

(insert map and/or define by zip codes):

**EXHIBIT D**  
**FINANCIAL STATEMENTS**



## AUDITED FINANCIAL STATEMENTS

# DOG FRANCHISE GROUP, LLC

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2023, 2022, AND 2021



# DOG FRANCHISE GROUP, LLC

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## *Independent Auditor's Report*

To the Members  
Dog Franchise Group, LLC  
Los Angeles, CA

### ***Opinion***

We have audited the accompanying financial statements of Dog Franchise Group, LLC, which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dog Franchise Group, LLC as of December 31, 2023, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

***Restrictions on Use***

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

Kezar & Dunlavy

St. George, Utah  
March 29, 2024

# DOG FRANCHISE GROUP, LLC

## BALANCE SHEETS

As of December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 84,923	\$ 1,527	\$ 48,870
Due from affiliates	-	15,000	-
Deferred commissions	36,500	56,500	-
Total current assets	<u>121,423</u>	<u>73,027</u>	<u>48,870</u>
Total assets	<u>\$ 121,423</u>	<u>\$ 73,027</u>	<u>\$ 48,870</u>
Liabilities and Members' Equity (Deficit)			
Current liabilities			
Accounts payable	\$ -	\$ 39,228	\$ -
Due to affiliates	185,948	-	-
Deferred revenue	73,000	113,000	-
Total current liabilities	<u>258,948</u>	<u>152,228</u>	<u>-</u>
Total liabilities	<u>258,948</u>	<u>152,228</u>	<u>-</u>
Members' equity (deficit)	<u>(137,525)</u>	<u>(79,201)</u>	<u>48,870</u>
Total liabilities and members' equity (deficit)	<u>\$ 121,423</u>	<u>\$ 73,027</u>	<u>\$ 48,870</u>

The accompanying notes to the financial statements are integral part of these financial statements

**DOG FRANCHISE GROUP, LLC**  
**STATEMENTS OF OPERATIONS**  
For the years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues			
Initial franchise fees	\$ 40,000	\$ -	\$ -
Royalty fees	10,145	-	-
Total operating revenues	<u>50,145</u>	<u>-</u>	<u>-</u>
Operating expenses			
General and administrative	8,124	1,495	30
Professional fees	200,345	126,576	44,799
Total operating expenses	<u>208,469</u>	<u>128,071</u>	<u>44,829</u>
Net loss	<u>\$ (158,324)</u>	<u>\$ (128,071)</u>	<u>\$ (44,829)</u>

The accompanying notes to the financial statements are integral part of these financial statements

**DOG FRANCHISE GROUP, LLC**  
**STATEMENTS OF MEMBERS' EQUITY (DEFICIT)**  
For the years ended December 31, 2023, 2022, and 2021

Balance as of January 1, 2021	\$ -
Member contributions	93,699
Net loss	(44,829)
Balance as of December 31, 2021	<u>48,870</u>
Net loss	(128,071)
Balance as of December 31, 2022	<u>(79,201)</u>
Member contributions	100,000
Net loss	(158,324)
Balance as of December 31, 2023	<u><u>\$ (137,525)</u></u>

The accompanying notes to the financial statements are integral part of these financial statements



**DOG FRANCHISE GROUP, LLC**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:			
Net loss	\$ (158,324)	\$ (128,071)	\$ (44,829)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in operating assets and liabilities:			
Deferred commissions	20,000	(56,500)	-
Accounts payable	(39,228)	39,228	-
Deferred revenue	(40,000)	113,000	-
Net cash used in operating activities	<u>(217,552)</u>	<u>(32,343)</u>	<u>(44,829)</u>
Cash flows from financing activities			
Net change in due to/from affiliate	200,948	(15,000)	-
Member contributions	100,000	-	93,699
Net cash provided by (used in) financing activities	<u>300,948</u>	<u>(15,000)</u>	<u>93,699</u>
Net change in cash and cash equivalents	83,396	(47,343)	48,870
Cash and cash equivalents at beginning of period	1,527	48,870	-
Cash and cash equivalents at end of period	<u>\$ 84,923</u>	<u>\$ 1,527</u>	<u>\$ 48,870</u>
Supplemental disclosures of cash flow			
Cash paid for interest and taxes	\$ -	\$ -	\$ -

The accompanying notes to the financial statements are integral part of these financial statements

**DOG FRANCHISE GROUP, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022, AND 2021**

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

*(a) Nature of Business*

Dog Franchise Group, LLC (the “Company”) was formed on October 9, 2020 as a California limited liability company and began operations in 2021. The Company offers a unique pet daycare service with headquarters in Los Angeles, California.

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

*(b) Accounting Standards Codification*

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

*(c) Use of Estimates*

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

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2023, 2022, and 2021, the Company had cash and cash equivalents of \$84,923, \$1,527, and \$48,870, respectively.

*(e) Income Taxes*

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

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2023, the 2022 and 2021 tax years are subject to examination.

*(f) Revenue Recognition*

The Company's revenues consist initial franchise fees and royalties based on a percentage of gross revenues. The Company has adopted ASC 606, *Revenue from Contracts with Customers* upon commencement of operations. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a

**DOG FRANCHISE GROUP, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022, AND 2021**

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

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price and the Company's performance obligations.

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

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

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

*(g) Advertising Costs*

The Company expenses advertising costs as incurred. During the years ended December 31, 2023, 2022, and 2021, the Company incurred no advertising costs.

*(h) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents and accounts payable, the carrying amounts approximate fair value due to their short maturities.

*(i) Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

**(2) Franchise Agreements**

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalty and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Dog Drop system for a period of five years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both

**DOG FRANCHISE GROUP, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022, AND 2021**

the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current.

As of December 31, 2023, 2022, and 2021, the Company has estimated the following current and non-current portions of deferred commissions:

	2023	2022	2021
Deferred commissions, current	\$ 36,500	\$ 56,500	\$ -
Deferred commissions, non-current	-	-	-
	<u>\$ 36,500</u>	<u>\$ 56,500</u>	<u>\$ -</u>

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

	2023	2022	2021
Deferred revenue, current	\$ 73,000	\$ 113,000	\$ -
Deferred revenue, non-current	-	-	-
	<u>\$ 73,000</u>	<u>\$ 113,000</u>	<u>\$ -</u>

**(3) Related Party Transactions**

During the year ended December 31, 2022, the Company provided a loan to an affiliate. The amount did not accrue interest and was repaid during the year ended December 31, 2023. As of December 31, 2023, no balance was due from the affiliate. As of December 31, 2022, the balance due was \$15,000.

During the year ended December 31, 2023, the Company drew on loans from various affiliates. The loans do not accrue interest and are due upon demand. As of December 31, 2023, the amount due to affiliates was \$185,498.

**(4) Equity**

The Company has two members who made contributions of \$93,699 during the year ended December 31, 2021. No equity contributions were made during the year ended December 31, 2022. During the year ended December 31, 2023, the members contributed \$100,000 to the Company.

**(5) Commitments and Contingencies**

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC 450, *Contingencies*, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**(6) Subsequent Events**

Management has reviewed and evaluated subsequent events through March 29, 2024, the date on which the financial statements were issued.

# DOG FRANCHISE GROUP, LLC

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021



# DOG FRANCHISE GROUP, LLC

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## *Independent Auditor's Report*

To the Members  
Dog Franchise Group, LLC  
Los Angeles, CA

### ***Opinion***

We have audited the accompanying financial statements of Dog Franchise Group, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dog Franchise Group, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

***Restrictions on Use***

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

Kezar & Dunlavy

St. George, Utah  
March 20, 2023



# DOG FRANCHISE GROUP, LLC

## BALANCE SHEETS

As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,527	\$ 48,870
Due from affiliates	15,000	-
Deferred commissions	<u>56,500</u>	<u>-</u>
Total current assets	<u>73,027</u>	<u>48,870</u>
Total assets	<u><u>\$ 73,027</u></u>	<u><u>\$ 48,870</u></u>
Liabilities and Members' Equity (Deficit)		
Current liabilities		
Accounts payable	\$ 39,228	\$ -
Deferred revenue	<u>113,000</u>	<u>-</u>
Total current liabilities	<u>152,228</u>	<u>-</u>
Total liabilities	<u>152,228</u>	<u>-</u>
Members' equity (deficit)	<u>(79,201)</u>	<u>48,870</u>
Total liabilities and members' equity (deficit)	<u><u>\$ 73,027</u></u>	<u><u>\$ 48,870</u></u>

The accompanying notes to the financial statements are integral part of these financial statements

**DOG FRANCHISE GROUP, LLC**  
**STATEMENTS OF OPERATIONS**  
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ -	\$ -
Operating Expenses		
General and administrative	1,495	30
Professional fees	<u>126,576</u>	<u>44,799</u>
Total Operating Expenses	<u>128,071</u>	<u>44,829</u>
Net loss	<u>\$ (128,071)</u>	<u>\$ (44,829)</u>

The accompanying notes to the financial statements are integral part of these financial statements

**DOG FRANCHISE GROUP, LLC**  
**STATEMENTS OF MEMBERS' EQUITY (DEFICIT)**  
For the years ended December 31, 2022 and 2021

Balance as of January 1, 2021	\$ -
Member contributions	93,699
Net loss	(44,829)
Balance as of December 31, 2021	<u>48,870</u>
Net loss	(128,071)
Balance as of December 31, 2022	<u><u>\$ (79,201)</u></u>

The accompanying notes to the financial statements are integral part of these financial statements

**DOG FRANCHISE GROUP, LLC**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2022 and 2021

	<u><b>2022</b></u>	<u><b>2021</b></u>
Cash flows from operating activities:		
Net loss	\$ (128,071)	\$ (44,829)
Adjustments to reconcile net loss to		
net cash used in operating activities:		
Changes in operating assets and liabilities:		
Deferred commissions	(56,500)	-
Accounts payable	39,228	-
Deferred revenue	113,000	-
Net cash used in operating activities	<u>(32,343)</u>	<u>(44,829)</u>
Cash flows from financing activities		
Net change in due to/from affiliate	(15,000)	-
Member contributions	<u>-</u>	<u>93,699</u>
Net cash provided by (used in) financing activities	<u>(15,000)</u>	<u>93,699</u>
Net change in cash and cash equivalents	(47,343)	48,870
Cash and cash equivalents at beginning of period	48,870	-
Cash and cash equivalents at end of period	<u><u>\$ 1,527</u></u>	<u><u>\$ 48,870</u></u>
Supplemental disclosures of cash flow		
Cash paid for interest and taxes	\$ -	\$ -

The accompanying notes to the financial statements are integral part of these financial statements

**DOG FRANCHISE GROUP, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

*(a) Nature of Business*

Dog Franchise Group, LLC (the "Company") was formed on October 9, 2020 as a California limited liability company and began operations in 2021. The Company offers a unique pet daycare service with headquarters in Los Angeles, California.

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

*(b) Accounting Standards Codification*

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

*(c) Use of Estimates*

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

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2022 and 2021, the Company had cash and cash equivalents of \$1,527 and \$48,870, respectively.

*(e) Income Taxes*

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

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, the 2021 tax year is subject to examination.

*(f) Revenue Recognition*

The Company's revenues consist initial franchise fees and royalties based on a percentage of gross revenues. The Company has adopted ASC 606, *Revenue from Contracts with Customers* upon commencement of operations. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a

**DOG FRANCHISE GROUP, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price and the Company's performance obligations.

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

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

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

*(g) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents and accounts payable, the carrying amounts approximate fair value due to their short maturities.

*(h) Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

**(2) Franchise Agreements**

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalty and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Dog Drop system for a period of five years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current. As of December 31, 2022, the Company had deferred commissions and deferred revenue of \$56,500 and \$113,000, respectively, all of which was classified as current. As of December 31, 2021, the Company had no deferred commissions or revenue.

**DOG FRANCHISE GROUP, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**(3) Related Party Transactions**

During the year ended December 31, 2022, the Company has provided a loan to an affiliate. The amount does not accrue interest and is due upon demand. As of December 31, 2022, the balance due was \$15,000.

During the years ended December 31, 2022 and 2021, the Company has not incurred rent or other typical operating expenses. An affiliate through common ownership provides office space, telephone services, and labor at no charge. The Company is not expected to reimburse these costs. Were these expenses to be charged, the Company's net loss would increase, and members' equity would decrease for the period presented.

**(4) Equity**

The Company has two members who made contributions of \$93,699 during the year ended December 31, 2021. No equity contributions were made during the year ended December 31, 2022.

**(5) Commitments and Contingencies**

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus ("COVID-19") as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through the year ended December 31, 2022 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company's operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company's future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company's customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company's future financial condition or results of operations is uncertain.

**(6) Subsequent Events**

Management has reviewed and evaluated subsequent events through March 20, 2023, the date on which the financial statements were issued.

**EXHIBIT E**

**DOGDROP BRAND STANDARDS MANUAL**  
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**APPENDIX:**           Forms

## **EXHIBIT F**

### **OUTLETS AS OF DECEMBER 31, 2023**

The following is a list of the names of all current franchisees and the address and telephone number of each of their outlets as of December 31, 2023:

(a) **Operational Franchisees**. The following are the names, addresses and telephone numbers of all Dogdrop franchisees as of December 31, 2023 who are operational:

#### **Colorado:**

1. Doghouse I, LLC  
985 N. Albion Street, #110  
Denver, CO 80220  
[denver@dogdrop.co](mailto:denver@dogdrop.co)

(b) **Franchise Agreements Executed But Not Yet Operational**. The following are the names, addresses and telephone numbers of all Dogdrop franchisees as of December 31, 2023 who are not yet operational but have signed a Franchise Agreement:

#### **Florida:**

1. Nicolas Irwin  
To be determined in South Florida  
(860) 938-3452

(c) **Former Franchisees**. The following are the names, last known home addresses and home telephone numbers of all Franchisees that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Dogdrop Franchise Agreement during the most recently completed fiscal year (January 1, 2023 to December 31, 2023) or who have not communicated with us within 10 weeks of the date of issuance of this Disclosure Document:

None.

## **EXHIBIT G**

### **FRANCHISEE ACKNOWLEDGEMENT STATEMENT**

#### **NOT FOR USE IN CALIFORNIA AND MARYLAND**

**This statement is not to be signed or used if the franchisee resides within, or if the franchised business will be located within the State of Maryland.**

Acknowledgment of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement (or Multi-Unit Development Agreement). Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

**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 (or Developer) hereby acknowledges the following:

1. Franchisee (or Developer) 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 (or Developer) 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 the Franchise Agreement (or Development Agreement) has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee under the Franchise Agreement (or Development Agreement).

\_\_\_\_\_  
Initial

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

\_\_\_\_\_  
Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Development 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 the Franchise Agreement (or Development Agreement) cannot be changed or terminated orally.

\_\_\_\_\_  
Initial

4. Franchisee (or Developer) 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 (or Development Agreement) that are contrary to the terms of the Franchise Agreement (or Development Agreement) or the documents incorporated therein. Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into the Franchise Agreement (or Development Agreement), that it has made no misrepresentations in obtaining the Franchise Agreement (or Development Agreement).

\_\_\_\_\_  
Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) 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 (or Development Agreement).

\_\_\_\_\_  
Initial

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

\_\_\_\_\_  
Initial

7. Franchisee (or Developer) acknowledges that it has received the Dog Franchise Group, LLC Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Development Agreement) was executed. Franchisee (or Developer) further acknowledges

that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

\_\_\_\_\_  
Initial

8. Franchisee (or Developer) 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 (or Developer) with respect to the Franchise Agreement (or Development Agreement) or the relationship thereby created.

\_\_\_\_\_  
Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer'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 (or the rights granted by the Development Agreement).

\_\_\_\_\_  
Initial

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

\_\_\_\_\_  
Initial

11. It is recognized by the parties that Franchisor (or an affiliate) 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 (or Developer's Development Area) by others who may have purchased such products from Franchisor.

\_\_\_\_\_  
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE DOG FRANCHISE GROUP, LLC, DOGDROP IP HOLDING LLC, AND ANY OF EITHER'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 (OR DEVELOPMENT 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. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

Initial

FRANCHISEE (DEVELOPER):

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

(Print Name)

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

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

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

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_

(Print Name)

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

**EXHIBIT H**  
**STATE ADDENDA**

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF CALIFORNIA**

The Department for Business Oversight for the State of California requires that certain provisions contained in franchise documents be amended to be consistent with California Franchise Investment Law, Cal. Corp. Code Section 31000 et seq., and of the Rules and Regulations promulgated thereunder. To the extent that this Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

3. Item 3 is amended to add:

Neither Franchisor nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. 8.78(a) et seq. suspending or expelling such persons from membership in such association or exchange.

4. Item 17 is amended to state:

- (a) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).
- (b) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- (c) The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

5. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

6. No statement, questionnaire, or acknowledgement signed 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 any 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. Exhibit G of the Franchise Disclosure Document contains acknowledgements that are impermissible under the California Franchise Investment Law. California Franchisees will not be required to execute Exhibit G and if any franchisee does so, franchisor will destroy and not rely on the document.
8. Item 5 is amended to state:

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

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF HAWAII**

1. Item 5 of the Franchise Disclosure Document is hereby amended to state that the Initial Franchise Fee payable to Franchisor shall be deferred until the Franchisee has opened for business and commenced operations.

**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.

Item 5 of the Franchise Disclosure Document is amended to state that for franchisees established in the state of Illinois, payment of the initial franchise fee shall be deferred until the Franchisor has completed its pre-opening obligations under the franchise agreement. The Illinois Attorney General's office imposed this deferral requirement due to the Franchisor's financial condition.

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.

**AMENDMENT TO THE DOG FRANCHISE GROUP, LLC 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 Dog Drop 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. Section 6.1.1 of the Franchise Agreement is hereby amended to state:

Payment of the initial franchise fee shall be deferred until the Franchisor has completed its pre-opening obligations under the franchise agreement. The Illinois Attorney General’s office imposed this deferral requirement due to the Franchisor’s financial condition.

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

The 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:

DOG FRANCHISE GROUP, LLC

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

Shaina Denny, CEO  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

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

PRINCIPAL:

\_\_\_\_\_

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

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_

## **ILLINOIS ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**

Illinois law governs the Area Development Agreement.

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

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois 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 of Illinois is void.

Section 4.1 of the Multi-Unit Development Agreement is hereby amended to further state:

Payment of the Multi-Unit Development Fee shall be deferred until the Franchisor has completed its pre-opening obligations under the first Franchise Agreement to be executed under the Multi-Unit Development Agreement. The Illinois Attorney General's office imposed this deferral requirement due to the Franchisor's financial condition.

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

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

FRANCHISOR:

DOG FRANCHISE GROUP, LLC

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

\_\_\_\_\_  
Shaina Denny, CEO  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

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

PRINCIPAL:

---

---

(Print Name)

**ADDENDUM TO THE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for the State of Maryland for Dog Franchise Group, LLC's Franchise Disclosure Document.

1. Item 17 of the Disclosure Document is amended to state that, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement and Multi-Unit Development Agreement which provide for termination upon bankruptcy of the franchisee/developer may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

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

6. Item 5 of the Disclosure Document is amended to state: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens."

**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for the State of Maryland for Dog Franchise Group, LLC's Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. The provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.



3. The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. The appropriate sections of the Franchise Agreement are amended to state that, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. The Franchise Agreement is amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

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

7. 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.

8. The fees section of the Franchise Agreement is amended to state: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_\_.

FRANCHISOR:  
DOG FRANCHISE GROUP, LLC

By: \_\_\_\_\_  
Shaina Denny, CEO  
(Print Name, Title)

FRANCHISEE:

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

PRINCIPAL:

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

**ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for the State of Maryland for Dog Franchise Group, LLC's Multi-Unit Development Agreement. The amendments to the Multi-Unit Development Agreement included in this addendum have been agreed to by the parties.

1. The provisions in the Multi-Unit Development Agreement which provide for termination upon bankruptcy of the developer may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. The appropriate sections of the Multi-Unit Development Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. The appropriate sections of the Multi-Unit Development Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. The appropriate sections of the Multi-Unit Development Agreement are amended to state that, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. The Multi-Unit Development Agreement is amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

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

7. 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.

8. The fees section of the Multi-Unit Development Agreement is amended to state: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise

agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_\_.

FRANCHISOR:  
DOG FRANCHISE GROUP, LLC

By: \_\_\_\_\_  
Shaina Denny, CEO  
(Print Name, Title)

FRANCHISEE:

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

PRINCIPAL:

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

**ADDENDUM TO THE**  
**DOG FRANCHISE GROUP, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF NORTH DAKOTA**

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, NDCC § 51-19 *et seq.* (“NDFIL”). To the extent that (a) the jurisdictional requirements of the NDFIL are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

Item 17(c) of the Disclosure Document and Section 5.3.5 of the Franchise Agreement requires the franchisee to sign a general release upon renewal of the franchise agreement. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Delete the provision each place it appears in the disclosure document and agreements used in North Dakota.

Item 17(i) of the Disclosure Document and Section 18.1 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Delete the provision each place it appears in the disclosure document and agreements used in North Dakota.

Item 17(u) of the Disclosure Document, Section 20.1-4 of the Franchise Agreement, and Section 10.1-4 of the Multi Unit Development Agreement provides that the franchisee must agree to the arbitration or mediation of disputes, such arbitration or mediation to be held in California. The Commissioner has determined that franchise agreements, which provide that parties agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee’s business, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. I suggest that this provision be amended to provide the site of arbitration or mediation be agreeable to all parties and may not be remote from the franchisee’s place of business.

Item 17(v) of the Disclosure Document, Section 20.5 of the Franchise Agreement, and Section 10.5 of the Multi Unit Development Agreement provides that franchisees must consent to the jurisdiction of courts in California. The Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Delete the provision each place it appears in the disclosure document and agreements used in North Dakota.

Item 17(w) of the Disclosure Document, Section 20.5 of the Franchise Agreement, and Section 10.5 of the Multi Unit Development Agreement provides that the agreement shall be construed according to the laws of the State of California. Apart from civil liability as set forth in section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud) the liability of the franchisor to a franchisee is based largely on contract law. Even though those provisions are not contained in the franchise investment law, those provisions contain substantive rights

intended to be afforded to North Dakota residents, and is unfair to franchise investors to require them to waive their rights under North Dakota Law.

The Commissioner has held that franchise agreements, which specify that they are to be governed by the laws of a state other than North Dakota, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. I suggest that either this provision be deleted, or the word "California" be replaced with the words "North Dakota".

Section 20.7 of the Franchise Agreement and Section 10.7 of the Multi Unit Development Agreement requires the franchisee to consent to a waiver of trial by jury. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Delete the provision each place it appears in the disclosure document and agreements used in North Dakota.

Section 20.7 of the Franchise Agreement and Section 10.7 of the Multi Unit Development Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Delete the provision each place it appears in the disclosure document and agreements used in North Dakota.

Section 20.9 of the Franchise Agreement and Section 10.9 of the Multi Unit Development Agreement requires the franchisee to consent to a limitation of claims within one year. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The provision shall be changed to read the statute of limitations under North Dakota Law will apply.

In the State of North Dakota only, we will defer the payment of the initial franchise fee, development fee and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating. However, you must execute the Franchise Agreement prior to looking for a site or beginning training.

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.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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

FRANCHISOR:

DOG FRANCHISE GROUP, LLC

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

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

FRANCHISEE:

\_\_\_\_\_

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

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

PRINCIPAL:

\_\_\_\_\_

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

PRINCIPAL:

\_\_\_\_\_

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

**ADDENDUM REQUIRED BY THE STATE OF SOUTH DAKOTA**

In the State of South Dakota, we will defer the payment of the initial franchise fee, development fee and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating. However, you must execute the Franchise Agreement prior to looking for a site or beginning training.

The parties hereto have duly executed, sealed and delivered this Addendum dated \_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

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

FRANCHISOR:

\_\_\_\_\_

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

PRINCIPALS:

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

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

**VIRGINIA ADDENDUM TO THE DOG FRANCHISE GROUP, LLC'S FRANCHISE  
DISCLOSURE DOCUMENT**

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.

The following statement is added to Item 5 of the Franchise Disclosure Document:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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



**VIRGINIA ADDENDUM TO THE DOG FRANCHISE GROUP, LLC'S FRANCHISE  
AGREEMENT**

The following statement is added to Section 6.1.1 of the Franchise Agreement:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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

The parties hereto have duly executed, sealed and delivered this Addendum dated \_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

FRANCHISOR:

\_\_\_\_\_

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

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

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

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

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

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

PRINCIPALS:

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

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

**VIRGINIA ADDENDUM TO THE DOG FRANCHISE GROUP, LLC'S MULTI UNIT  
DEVELOPMENT AGREEMENT**

The following statement is added to Section 4.1 of the Multi-Unit Development Agreement:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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

The parties hereto have duly executed, sealed and delivered this Addendum dated \_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

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

FRANCHISOR:

\_\_\_\_\_

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

PRINCIPALS:

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

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

## STATE EFFECTIVE DATES

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

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

<b><u>STATE</u></b>	<b><u>EFFECTIVE DATE</u></b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	June 15, 2023
Maryland	January 19, 2024
North Dakota	Pending
Rhode Island	Pending
South Dakota	July 25, 2023
Virginia	Pending

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

## **EXHIBIT I**

### **RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF DOG FRANCHISE GROUP, LLC**

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

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 Dog Franchise Group, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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:

Shaina Denny 905 E. 2 <sup>nd</sup> Street, Suite 110 Los Angeles, CA 90012 213-429-4073		
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Issuance Date: April 16, 2024

I received a Disclosure Document dated April 16, 2024, that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement with Attachments 1 – 9
- EXHIBIT C: Multi-Unit Development Agreement with Attachments 1 – 3
- EXHIBIT D: Financial Statements of Dog Franchise Group, LLC
- EXHIBIT E: Brand Standards Manual Table of Contents
- EXHIBIT F: Outlets as of the date of this Disclosure Document
- EXHIBIT G: Franchisee Acknowledgment Statement
- EXHIBIT H: State Addenda
- State Effective Dates
- EXHIBIT I: Receipt

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

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

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

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

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

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

Please return signed receipt to Dog Franchise Group, LLC  
905 E. 2<sup>nd</sup> Street, Suite 110, Los Angeles, CA 90012

**EXHIBIT I**

**RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF DOG FRANCHISE GROUP, LLC**

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

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 Dog Franchise Group, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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:

Shaina Denny 905 E. 2 <sup>nd</sup> Street, Suite 110 Los Angeles, CA 90012 213-429-4073		
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Issuance Date: April 16, 2024

I received a Disclosure Document dated April 16, 2024, that included the following Exhibits:

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EXHIBIT E: Brand Standards Manual Table of Contents  
EXHIBIT F: Outlets as of the date of this Disclosure Document  
EXHIBIT G: Franchisee Acknowledgement Statement  
EXHIBIT H: State Addenda  
State Effective Dates  
EXHIBIT I: Receipt

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

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

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

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

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

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

**KEEP FOR YOUR RECORDS**