

## FRANCHISE DISCLOSURE DOCUMENT

PETU FRANCHISING INC.

An Wisconsin corporation

8200 S. 68<sup>th</sup> St.

Franklin, Wisconsin 53132

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[www.pet-u.net](http://www.pet-u.net)

(414) 412-1496



The franchisee will operate a business that offers dog daycare, enrichment, cardio workouts, boarding, bathing, nail trimming, teeth brushing, ear cleaning and dog training services and a wide range of retail products under the names “PetU” and “PetU K9 Higher Education.”

The total investment necessary to begin operation of a PetU Facility is \$317,504 to \$513,874. This includes \$42,000 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation as a Developer is the total investment to begin operations of a single PetU Facility (described above) plus the Development Fee of \$31,500 times the number of additional PetU Facilities to be developed.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss availability of disclosures in different formats, contact Angela Trzcinski, 8200 S. 68<sup>th</sup> St., Franklin, Wisconsin 53132, (414) 412-1496.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help

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

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

Issuance date: September 6, 2023, as amended October 5, 2023

## How to Use This Franchise Disclosure Document

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

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit 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 PetU 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 a PetU franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Wisconsin. 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 Wisconsin than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Unregistered Trademark.** The primary logo that you will use in your business is not federally-registered. If the Franchisor's ability to use this trademark in your area is challenged, you may have to identify your business and its products/services by a different name. This change can be expensive and may reduce brand recognition of the products and services you offer.

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.

## TABLE OF CONTENTS

	<u>PAGE</u>
Item 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....	1
Item 2. BUSINESS EXPERIENCE .....	2
Item 3. LITIGATION .....	3
Item 4. BANKRUPTCY .....	3
Item 5. INITIAL FEES .....	3
Item 6. OTHER FEES .....	4
Item 7. ESTIMATED INITIAL INVESTMENT .....	11
Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	14
Item 9. FRANCHISEE'S OBLIGATIONS .....	17
Item 10. FINANCING .....	18
Item 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....	18
Item 12. TERRITORY.....	26
Item 13. TRADEMARKS .....	29
Item 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	30
Item 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	31
Item 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	32
Item 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	33
Item 18. PUBLIC FIGURES .....	38
Item 19. FINANCIAL PERFORMANCE REPRESENTATIONS .....	38
Item 20. OUTLETS AND FRANCHISEE INFORMATION.....	43

Item 21.	FINANCIAL STATEMENTS .....	44
Item 22.	CONTRACTS .....	44
Item 23.	RECEIPT .....	44

Exhibits

- A. List of State Agencies/Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Assumption of Obligations and other exhibits)
- C. Franchisee Disclosure Acknowledgement Statement
- D. Financial Statements
- E. Lists of Current and Former Franchisees
- F. Multi-Unit Development Agreement
- G. State Addendum (if applicable)
- H. Table of Contents of Operations Manual

Receipt of Disclosure Document (Two)

**Item 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

The franchisor is PETU FRANCHISING, INC. To simplify the language in this Disclosure Document, the franchisor will be referred to as "Company," "us" or "we." "You" means the entity that buys the franchise. Certain provisions of the franchise agreement also apply to your direct or indirect owners and will be noted. These owners must personally guarantee payment and performance of all of your obligations to us.

PETU FRANCHISING, INC. is a Wisconsin corporation organized on January 6, 2023. We do business under our corporate name and under the names "PetU" and "PetU K9 Higher Education." Our principal business address is 8200 S. 68<sup>th</sup> St., Franklin, Wisconsin 53132. Our agent for service of process in your state, if applicable, is disclosed in Exhibit A.

We do not have a parent company. We have no predecessors.

Our affiliates are Pet University, LLC, Pet University 2, LLC, and Pet University 3, LLC ("Affiliates"). Our Affiliates developed the PetU System and have operated a business similar to the franchised businesses offered under this Disclosure Document since June 2012, May 2015, and October 2016, respectively. Pet University, LLC has granted us a license to use and to sublicense the services marks, trademarks, logos and designs and the intellectual property relating to the PetU System.

The principal business address of Pet University, LLC is 6120 S. Howell Ave., Milwaukee, Wisconsin 53207. The principal business address of Pet University 2, LLC is 2625 Eaton Ln., Racine, Wisconsin 53404. The principal business address of Pet University 3, LLC is 10510 N Port Washington Rd., Mequon, Wisconsin 53092.

We have no affiliates which are offering franchises in any line of business or are providing products or services to our franchisees.

We offer franchises for the establishment and operation of a business that offers dog daycare, enrichment, cardio workouts, boarding, bathing, nail trimming, teeth brushing, ear cleaning and dog training services and a wide range of retail products using our unique system ("Franchised Business"). You must sign our standard franchise agreement (the "Franchise Agreement") which is attached to this Disclosure Document as Exhibit B. You must operate your Franchised Business following the designs, systems, methods, formulas, specifications, standards, policies and procedures, including certain confidential information and trade secrets, and equipment, furniture, fixtures, materials, supplies, and services required for all PetU businesses (all of which is referred to as the "System"). We may change, improve or further develop the System at any time. The System is currently identified by and Franchised Businesses will be operated under the service marks "PetU" and "PetU K9 University." The service marks "PetU" and "PetU K9 University," the related logos, and all other proprietary trademarks, service marks, domain names, related logos and other commercial symbols owned by us or our affiliate or to be developed in the future are referred to in this Disclosure Document as the "Marks."

We have no other business activities besides selling and supporting the Franchised



Businesses.

You will operate the Franchised Business from a facility (“Facility”) that will offer dog daycare, enrichment, cardio workouts, boarding, bathing, nail trimming, teeth brushing, ear cleaning and dog training services and a wide range of retail products. Some of the dog training services may be conducted at customers’ homes (“Customers’ Homes”). The services will be offered to general public with the specific services being targeted to pet owners. You will compete with independent and franchised businesses that offer dog daycare, boarding, grooming, and dog training services. Our focus is to provide such services to dogs and pet parents in a welcoming and efficient facility with effective and human dog training and engaging activities. The market for these services is developed and competitive. The sale of these services is not seasonal in nature.

We grant qualified candidates the right to develop between two and three PetU Facilities. Under the Multi-Unit Development Agreement, you agree to establish and operate a minimum of 2 PetU Facilities and a maximum of 3 PetU Facilities in a specified Development Area. The Multi-Unit Development Agreement is attached to this Disclosure Document as Exhibit F.

During the development period, we will neither develop nor license anyone else the right to develop a PetU Facility physically located in the Development Area noted on your Multi-Unit Development Agreement, subject to our reserved rights set forth in Item 12 of this Disclosure Document.

You must comply with all local, state and federal laws that apply to the operation of the Franchised Business. Where our affiliate has operated, to date there are no licensing requirements for businesses offering pet services. However, there may be laws, regulations or licensing requirements that will apply to a Franchised Business in your area. Therefore, you must investigate whether any such laws, regulations or licensing requirements exist and what you need to do to comply.

## **Item 2** **BUSINESS EXPERIENCE**

### **Angela Trzcinski – Owner and Chief Executive Officer**

Ms. Trzcinski has been our Owner and Chief Executive Officer since our inception in January 2023. From June 2012 to present, she has been Owner of our affiliate Pet University, LLC. From May 2015 to present, she has been Owner of our affiliate Pet University 2, LLC. From October 2016 to present, she has been Owner of our affiliate Pet University 3, LLC.

### **Abigail Wilson - Operations Manager**

Ms. Wilson has been our Operations Manager since our inception in January 2023. From August 2019 to present, she has been General Manager of each of our affiliates, Pet University, LLC, Pet University 2, LLC, and Pet University 3, LLC. From August 2016 to August 2019, she was the Store Manager for Pet University 3, LLC.

**Item 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**Item 4**  
**BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**Item 5**  
**INITIAL FEES**

**Initial Franchise Fee**

You must pay an initial franchise fee of \$42,000 in cash when you sign the Franchise Agreement.

We offer a reduced initial franchise fee of \$37,800 if you are an honorably discharged veteran.

The initial franchise fee is uniform and is not refundable under any circumstances.

Since we are selling franchises for the first time under this disclosure document, we have never sold a franchise for a fee different than the published initial franchise fee.

**Multi-Unit Development**

If you are a Developer, you must sign the Franchise Agreement for your first PetU Franchised Business and pay the initial franchise fee for the first franchise to be developed at the same time as you sign the Multi-Unit Development Agreement. In addition, you must pay a non-refundable Development Fee when you sign the Multi-Unit Development Agreement. This fee is uniform. The Development Fee is \$31,500 times the number of additional PetU Facilities to be developed.

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**Item 6**  
**OTHER FEES**

**Franchise Agreement**

<b>TYPE OF FEE<sup>1,2</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty Fee	6% of Gross Revenues <sup>3</sup> .	Weekly, on the Monday of each calendar week for the previous week reported by you	Covers Gross Revenues for the preceding calendar week. Paid by EFT.
Brand Development Fund Contribution	Up to 2% of Gross Revenues <sup>3</sup> . Currently 2% of Gross Revenues.	Weekly, on the Monday of each calendar week for the previous week reported by you	Covers Gross Revenues for the preceding calendar week. Paid by EFT. 60 days prior notice is given for any change in the percentage.
Technology Fee	Up to \$400 per month, with the right to increase the maximum fee by 10% annually ("Maximum Technology Fee"). Currently \$150 per month.	Monthly	Paid by EFT.  60 days prior notice before we increase or modify the fee currently charge or before imposing an annual increase in the Maximum Technology Fee.
Local Marketing Requirement	Up \$2,000 per month. Currently \$800 per month.	As incurred by you.	Beginning your 3 <sup>rd</sup> month of operation.  Paid to us or third parties. 90 days prior notice is given before we increase or modify the requirement.
Cooperative Advertising	Currently not assessed	As determined by members of the cooperative	Payable if a cooperative is established in your area. All Franchised Businesses included in the cooperative, including company-owned or affiliate-owned facilities, will have one vote per Facility.
On-site Site Evaluation	\$1,500 per visit	As incurred	Paid to us if we require or you request that we make a visit to your territory to evaluate a potential site(s) for your PetU Facility.
Additional Trainees Attending the Training Program	Then applicable per diem fee (currently \$300), per trainee plus travel and living	Before training	We provide initial training for up to 3 people at no additional cost, provided that they attend the same training program. If

TYPE OF FEE <sup>1,2</sup>	AMOUNT	DUE DATE	REMARKS
	expenses.		you want to send additional individuals or a replacement manager to the initial training or if we require additional owner training for successful completion, we will provide training based on availability for an additional training fee.
Additional Operating Assistance	Then applicable per diem fee (currently \$400) plus travel and living expenses.	Upon billing.	We provide on-site assistance and training to you around the time of opening at no additional cost. This fee is payable if we provide you, at your request, operating training and/or assistance beyond what is typically provided to franchisees, or if we require additional assistance and training because your business operations are not in compliance.
Mystery Shopper Program	Up to \$400 per visit	As incurred.	If we retain a third-party firm to conduct mystery shops. We reserve the right to mystery shop your PetU Facility up to two times each year. If you receive an unsatisfactory review, you will undergo additional shops at your expense until your PetU Facility receives a satisfactory review.
National Account administrative services fee	5% of your Gross Sales related to National Account work; Gross Sales that are the result of any lead or any agreement developed by our business development department or any similar group that is part of our company or is our designee	Upon demand.	If we provide administrative, billing, and/or collection services with respect to any National Account, we reserve the right to require you to pay a National Account administrative services fee to us or our designee.
Cross territory fine	50% of the gross revenue from any activity conducted in the other franchisee's territory	Upon demand	Payable for each dog training you conduct in another franchisee's territory after the new franchisee purchases the territory. Fine is in addition to our right to terminate for

TYPE OF FEE <sup>1,2</sup>	AMOUNT	DUE DATE	REMARKS
			breach.
Transfer Fee	<p>90% of the then-current Initial Franchise Fee if the Transferee is a new franchisee; 50% of the then-current Initial Franchise Fee</p> <p>\$5,000 deposit on the transfer fee due when you request our consent on the proposed transfer</p> <p>\$3,000 for a transfer among existing shareholders, partners or members of Franchisee entity</p>	Before transfer	Payable when you transfer the franchise, an interest in Franchised Business, the assets of Franchised Business or an interest in the franchisee.
Successor Franchise Fee	\$5,000	When you sign successor franchise agreement	Payable if we approve of you to acquire a successor franchise agreement at the end of the initial term.
Relocation Fee	30% of the then-current Initial Franchise Fee	50% due when we grant you approval to relocate and balance due upon our acceptance of the new location	Payable if we approve of the relocation of your PetU Facility
Product or Supplier Review	\$750 per review plus reimbursement of out-of-pocket costs	As incurred	Payable to us if you request approval of a new product or supplier
Monetary Fees for Non-Compliance	\$500 per day or per occurrence (whichever is applicable)	As incurred	<p>Payable to us if you do not comply with the franchise agreement.</p> <p>Then-current non-compliance fees will be published in the Operations Manual.</p>
Audit/Inspection Costs	Cost of audit or inspection, including charges of professional advisors, and travel expenses, room and board and compensation or fees of our employees or	Within 10 days of audit report showing understatement	Payable if audit necessary because of your failure to file reports, supporting records, financial statements, or other required information in a timely fashion or if any audit reveals an understatement of

TYPE OF FEE <sup>1,2</sup>	AMOUNT	DUE DATE	REMARKS
	agents.		the reported Gross Revenue of greater than 2%.
Interest on late payments	Interest will be charged for any late payments at an interest rate of 1.5% per month, but not to exceed maximum required by law.	Upon billing	Payable on all amounts not paid when due.
Insufficient funds fee	\$200 per occurrence	Upon demand	If at any time we make an electronic transfer of funds and you do not have sufficient funds in the account.
Late report fee	\$125 for each instance in which you fail to submit a report or financial statements to us by the due date.	Upon billing	Payable if you do not submit a report by the due date.
Management Fee	Then-current management fee, plus travel and living expenses of our appointed manager. Currently fee is \$600 per day plus expenses.	As agreed	Payable to us during period that our appointed manager manages the Franchised Business, at our option, after 14 days from your receipt of a default notice or 30 days following your death or disability.
Customer Resolution Fee	\$250 per complaint, plus reimbursement of money refunded to customer	As incurred	If you request or we require our assistance in resolving a customer dispute.
System Modifications	Actual costs and expenses associated with system modification	As required	<p>If we make changes to our franchise system, you must adapt your business to conform to the changes. Examples may include new technology, equipment, software or trade dress updates.</p> <p>Costs and expenses may be paid to the franchisor or a third-party supplier that we designate.</p>
Indemnification	Actual costs	As incurred	You must reimburse us for all our damages, costs, liabilities and expenses incurred by us in the defense of any such claim brought against us or in any such action in which we are

TYPE OF FEE <sup>1,2</sup>	AMOUNT	DUE DATE	REMARKS
			named as a party; for any liability, cost or expense we suffer, sustain or incur arising out of or relating to your development and/or operation of your Franchised Business or any of your Owners', Managers', employees', or other agents' acts or failure to act in the operation of the Franchised Business, and all cost, expense or loss we incur in enforcing the provisions of the Franchise Agreement, in defending our actions taken relating to the Franchise Agreement, or resulting from your breach of the Franchise Agreement.
Costs and Attorney's Fees	Actual costs	As incurred	You must reimburse us for costs and attorney's fees incurred in enforcing the covenants not to compete, in obtaining an injunction or order for specific performance or in any other legal proceeding relating to the Franchise Agreement.
Reimbursement for insurance costs	Costs and premiums incurred by us on your behalf, plus a 10% administrative fee.	Upon demand	Payable if we incur costs to purchase insurance for you if you fail to do so.
Reimbursement of Taxes	Actual assessed taxes against us based on your operation of the Franchised Business or on any payments you make to us.	Upon demand	Only payable if taxes of this type are assessed against us.
De-identification expenses	Actual expenses we incur.	Upon demand	If you fail to de-identify the Facility upon termination or expiration and we make required changes.
Liquidated Damages	An amount equal to 156 times the average Gross Revenues of your PetU Business during the 156-week period immediately preceding the date of	As incurred	Payable if we terminate the franchise agreement with cause or you terminate it without cause.

TYPE OF FEE <sup>1,2</sup>	AMOUNT	DUE DATE	REMARKS
	termination (or if you have been in business less than 156 weeks, during the entire period you have been in business) time 6%		
Broker Fees	Actual cost of brokerage commissions, finder's fees or similar charges incurred by us in connection with a transfer of the franchise, an interest in the Franchised Business, the assets of the Franchised Business or an interest in the franchisee.	As incurred	You must reimburse us for any fees we incur to a third-party or buyer due to the transfer of your Franchised Business(es).

1. Unless otherwise noted, all fees are imposed by and payable to us. All fees are non-refundable. The above fees are uniformly imposed on franchisees.

2. You must pay the royalty fee, brand fund contribution, software license fees and any other amounts due to us by electronic transfer of funds.

3. The term "Gross Revenues" means the total receipts of all money or property of any kind, for or in connection with the services rendered by you at the Facility and any other location, and any products sold, directly or indirectly, in connection with the PetU Business. The term shall be deemed to include checks, drafts, money orders, credit card payments, and all other instruments and forms of payment whether or not the same are postdated or are later dishonored or rescinded or payment is stopped thereon. Gross Revenues will be deemed received for purposes of this Agreement on the date that payment in whatever form is actually collected and received by the PetU Business. The term shall not include applicable sales, use or service taxes collected from customers and paid to the appropriate taxing authority.

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**Multi-Unit Development Agreement**

<b>TYPE OF FEE<sup>1,2</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Development Transfer Fee	\$7,500	Before transfer	Payable when you transfer the development rights or an interest in Developer
Undeveloped Territory Transfer Fee	75% of the then-current Initial Franchise Fee for the first undeveloped territory being transferred; 50% of the then-current Initial Franchise Fee for the second and subsequent territories being transferred  \$5,000 deposit on the Undeveloped Territory Transfer Fee due when you request our consent on the proposed transfer for each undeveloped territory being transferred	Before transfer	Payable when you transfer undeveloped territories
Indemnification	Actual costs	As incurred	You have to reimburse us if we are held liable for claims arising from your operation of the development business or incur costs in defending them.
Costs and Attorney's Fees	Actual costs	As incurred	You must reimburse us for costs and attorneys' fees for enforcement of covenants, for obtaining specific performance of injunctive relief, and if we are successful in an action to enforce the Multi-Unit Development Agreement.
Broker Fees	Actual cost of brokerage commissions, finder's fees or similar charges incurred by us in connection with a transfer of the franchise, an interest in the Franchised Business, the	As incurred	You must reimburse us for any fees we incur to a third-party or buyer due to the transfer of Developer.

<b>TYPE OF FEE<sup>1,2</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
	assets of the Franchised Business or an interest in the franchisee.		

All fees under the Multi-Unit Development Agreement are imposed uniformly and are non-refundable.

**Item 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount-Range Estimated</b>	<b>Method of Payment</b>	<b>When Payable</b>	<b>To Whom Payment is Made</b>
Initial Franchise Fee (Note 1)	\$42,000	Lump sum	Upon signing franchise agreement	Us
Site Evaluation Fee	\$1,500 to \$3,000	As incurred	Prior to on-site site evaluation	Us
Lease Deposit (Note 2)	\$2,292 to \$11,667	As incurred	As incurred	Landlord
Utility Deposit	\$900 - \$1,000	As incurred	Prior to opening	Utility Company
Rent (1 <sup>st</sup> 3 months) (Note 2)	\$6,875 to \$17,500	As arranged	As arranged	Lessor
Utilities (3 months)	\$2,700 to \$3,000	As incurred	As incurred	Utility Company
Internet Service (per month)	\$300 to \$375	As incurred	As incurred	Internet provider
Zoning Variance (Note 10)	\$0 -\$10,000	As incurred	As incurred	Government Agencies
Architect/Engineer Fees & Building Permits and Licenses	\$7,500 to \$12,500	As incurred	As incurred	Third Parties; Licensing Agencies
Project Management Fee	\$10,000 to \$20,000	As incurred	As agreed	Third Parties
Leasehold Improvements	\$107,250 to \$195,000	As incurred	As agreed	Contractors
Signage (Note 7)	\$8,000 to \$10,000	As incurred	As agreed	Approved Suppliers
Furniture and Fixtures (Note 6)	\$25,000 to \$40,000	As incurred	As agreed	Approved Suppliers
Equipment (Note 6)	\$15,000 to \$20,000	As incurred	As agreed	Approved Suppliers
Miscellaneous Equipment	\$2,500 to \$3,000	As incurred	As agreed	Approved Suppliers

Office Supplies	\$750 to \$1,000	As incurred	As agreed	Approved Suppliers
Technology Purchases (Note 5)	\$2,500 - \$3,500	As incurred	As agreed	Approved Suppliers
Technology Fees (3 months)	\$450	As incurred	As agreed	Us
Software Fees	\$779	As incurred	As agreed	Approved Suppliers
Third Party Accounting Service Expense	\$1,500	As incurred	As agreed	Accounting Service
Opening Inventory and Supplies	\$20,000 to \$25,500	As incurred	As agreed	Approved Suppliers
Licenses, Permits, Registrations	\$750 to \$2,000	As incurred	As arranged	Licensing agencies
Professional Services (Note 9)	\$4,000 to \$7,500	As incurred	As agreed	Accountants, attorneys, other advisors
Insurance (Note 4)	\$2,500 to \$3,250	As incurred	As arranged	Insurance company
Training Expense	\$11,458 to \$23,853	As arranged	As agreed	Third Parties; Your employees
Grand Opening Marketing (Note 3)	\$15,000	As incurred	As arranged	Approved Suppliers
Local Marketing Expenditure	\$1,000	As incurred	As arranged	Third Parties
Additional Funds (for 3 months of operation) (Note 11)	\$25,000 to \$40,000	As incurred	As arranged	You determine
TOTAL ESTIMATED INITIAL INVESTMENT	\$317,504 to \$513,874			

Explanatory Notes:

This is our estimate of the costs you will incur to develop and open a Franchised Business. Payments to us are non-refundable. You will need to determine if payments to third parties are refundable.

1. Your Initial Franchise Fee is \$42,000 and is payable in full when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstances.
2. These figures presume that you will be leasing your premises. Generally, you will need to lease a site of approximately 5,500 to 10,000 square feet that has at least 0.25 to 0.5 acres of exterior space that can be used for outdoor play for dogs. We may allow or require variations to this size under certain circumstances. Your landlord will typically require a security deposit equal to one or two months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. These figures provide the estimated amount of the security deposit for a location meeting our typical size requirements. The expense of leasing will vary depending upon the size of the premises, its location (for example, downtown, mall, suburban or rural), landlord contributions and the requirements of individual landlords. The lease rental payments shown in the charts above

includes 3 months' rent for your initial period of operation. We have not included estimates for purchasing the site for the PetU Business as we recommend that you lease your premises.

3. You must conduct an advertising and marketing campaign to promote the grand opening of your PetU Business and spend a minimum of \$15,000. We may recommend you spend more if you will be the first PetU Business in the market. These amounts must be spent starting 60 days prior to opening and within the first 60 days after opening.
4. The insurance you must maintain is described in Item 8. Our estimate does not include other insurance policies you may have to maintain under the terms of your lease or as may be required by other third parties. The unearned portions of the insurance premiums are generally refundable depending on your carrier.
5. You must purchase the computer equipment, hardware and software necessary for opening your PetU Business. We currently require you to purchase and use: PetExec for POS, business operations, and scheduling; Microsoft 365 for word processing, spreadsheets, and presentations; QuickBooks Online for accounting.
6. You must purchase and/or lease and install furniture, fixtures and equipment and décor necessary to operate your PetU Business from an approved supplier. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. We reserve the right to require that you purchase your furniture, fixtures and equipment from us or our affiliate.
7. This range includes the cost of all signage used in your PetU Business. The signage requirements and costs will vary based upon the size and location of the Approved Location, local zoning requirements, Landlord requirements, and local wage rates for installation.
8. We cover the cost of the initial training program, but you will be responsible for the travel, lodging, meals and other living expenses of your owner(s) and manager while attending the initial training program. At the present time, we provide initial training of approximately 25 days for up to 3 people. The Operating Owner and Designated Manager must attend the first approximately 15 days of initial training which covers the operation of a PetU Business. The Operating Owner, Designated Manager, and Lead Dog Trainer must attend the second approximately 10 days of initial training which covers dog training. We provide training at our affiliate-owned PetU Businesses located in Milwaukee, Wisconsin metropolitan area, or such other location we may select from time to time. These amounts do not include any fees or expenses for training any other personnel. There is no charge for the first 3 attendees; however, there is currently a \$300 per-attendee per day initial training charge for each additional attendee.
9. This estimate includes legal fees, accounting services and other professional services you engage.
10. The lower end of the estimate assumes that the Approved Location is located in a zoning district that allows for the operation of your PetU Business and you will not be required to file a petition for zoning relief.
11. This is an estimate of your working capital requirements for the first 3 months of operations, based on our experience of opening and operating PetU Businesses. The estimated range for necessary working capital for the first 3 months is as shown in the charts above, and includes general operating expenses, such as supplies, food and beverage products, packaging, payroll, payroll expenses,

royalties, advertising, utilities, insurance, pest control, security, repairs, maintenance and complimentary sales and other costs. These amounts do not include any estimates for debt service.

12. We relied on our experience and our owner's over 10 years of experience operating a PetU Business to compile these estimates. Except as otherwise noted, none of these payments are refundable. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a Franchise. We do not offer any financing for your initial investment. The availability and terms of financing with third-party lenders will depend on factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

### **Multi- Unit Development Agreement**

If you sign an Multi-Unit Development Agreement, you should anticipate the initial costs listed in the chart above for the opening of the first PetU Business plus the Development Fee of \$31,500 times the number of PetU franchises to be developed under the Area Development Agreement after the first one.

### **Item 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We may develop certain proprietary and/or branded products, materials, supplies, apparel, or other items branded with the Marks ("Proprietary Products") for use or sale in your Franchised Business. If we do develop Proprietary Products, you may be required to purchase the Proprietary Products from us or a supplier we designate.

You must purchase your point-of-sale (POS) system, word processing, spreadsheets, and presentations software, accounting software, architectural services, signs, dog food, dog toys, certain grooming products, leashes, collars, rubber flooring, disinfectant, and kennel/turf cleaner from designated suppliers. We reserve the right to designate a supplier for digital marketing and social media, which may be us, an affiliate, or a third party. Payments to this designated supplier may account for up to 100% of your Grand Opening Marketing or Local Marketing requirements.

You must purchase fixtures, furniture, equipment, certain grooming products, cleaning supplies, other supplies, third party accounting services and certain other services from approved suppliers and/or that meet our standards and specifications. Currently neither we nor our affiliate is an approved supplier of any products or services.

We will provide you with the specifications and standards and lists of approved or recommended suppliers and approved supplies in the Operations Manual or otherwise in writing or by electronic communication. These specifications and standards relate to product quality, consistency, reliability, frequency of delivery, financial capability, labor relations and customer relations.

We may modify the list of approved product types, brands and/or suppliers, and you may not, after receipt in writing of any modification, reorder any product type or brand or reorder from any supplier which is no longer approved. If you propose to use any of type or brand of fixtures, furniture, equipment, signs or supplies, and/or suppliers which are not then approved, you must first notify us

and submit sufficient information, specifications and samples concerning such product type or brand and/or supplier as we request for our determination of whether the product complies with our specifications and standards and/or the supplier meets our approved supplier criteria. We will notify you of whether or not the proposed brand and/or supplier is approved within 120 days of submission of all required information. We reserve the right to charge you a non-refundable fee of \$750 per review, plus reimbursement of out-of-pocket costs. Our criteria for approving suppliers is not available to franchisees. If we later revoke the approval of a brand or supplier previously approved, we will notify you in writing and you must then cease making purchases of the brand or from the supplier.

In addition to purchases or leases discussed above, you must maintain, at your expense, the insurance coverage we require and must meet the other insurance related obligations in the Franchise Agreement. All required insurance policies must be issued by one or more insurance carriers acceptable to us and must name us as an additional insured. Currently the following is required:

<b>Coverage Types</b>	<b>Required Limits of Coverage</b>
General Liability	\$2 million aggregate \$1 million per occurrence
Personal Injury	\$5,000 per person medical benefits
Personal and Advertising Injury	\$1 million limit
Products/Completed Operations	\$2 million aggregate
Employment Practices Liability	\$100,000 aggregate \$100,000 per occurrence
Property damage coverage	All perils coverage to personal property (interior and exterior) The higher of \$300,000 minimum coverage or the investment you have made, including but not limited to leasehold improvements, furniture, equipment, inventory, and signage
Accidental Injury to Animals	\$10,000 per occurrence \$1,000 per animal
Umbrella Liability	\$1 million aggregate \$1 million per occurrence
Employee Dishonesty	\$10,000 limit
Interruption of Computer Operations	\$10,000 aggregate
Identity Theft	\$5,000 limit
Owned or Non-Owned Auto Liability	\$1 million single limit per accident As required by state law
Business Interruption	12 months of lost income

Employer's Liability and Worker's Compensation	As required by state law
Other Insurances	As required by local, state or federal laws; or by the landlord

You must obtain any additional insurance and/or higher minimum limits as we may reasonably require during the franchise term.

None of our officers owns any ownership interest in an approved or designated supplier.

The cost of all purchases from designated suppliers, approved suppliers or following our standards and specifications represents 90% to 95% of your total purchases in establishing your franchise, and 90% to 95% of your total purchases in operating the franchise.

Since we are offering franchises for the first time under this disclosure document, in our fiscal year ended December 31, 2022, neither we nor our affiliate derived revenue from the purchase of goods and services by our Franchisees.

We do not currently receive payments from approved suppliers with respect to your purchases but reserve the right to do so. There are currently no purchasing or distribution cooperatives. We may in the future negotiate purchase arrangements with suppliers. You will receive no material benefits based on your purchases from approved suppliers. However, you must comply with the requirements to purchase from designated or approved suppliers to be in compliance with your Franchise Agreement.

Prior to your use of them, you must submit to us for approval or disapproval samples of all local marketing, advertising and promotional materials, programs and information, and content for your webpage (linked to our website), any listing on the Internet, or any information to be displayed on any social media site not prepared by us or our approved advertising or public relations agency or not previously approved by us. If you do not receive written approval within 10 business days from the date of our receipt of such materials, programs or content submitted by you, the materials, programs or content will be deemed disapproved. You may not use any marketing, advertising or promotional materials or programs or content that we have disapproved. All marketing, advertising and promotional materials and content you use must be completely factual, in good taste (as determined in our sole discretion) and must conform to the highest standards of ethical advertising. You agree to refrain from any marketing, advertising or promotion practice which may be harmful to your Franchised Business, us, our Marks or other PetU Businesses.

*The remainder of this page has been left blank intentionally.*

**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 Franchise Disclosure Document.**

<b><u>Obligation</u></b>	<b><u>Section In Franchise Agreement</u></b>	<b><u>Section in Multi-Unit Development Agreement</u></b>	<b><u>Disclosure Document Item</u></b>
(a) Site selection and acquisition/lease	Sec. 4.B., C., D.	Sec. 3.2	Items 7, 11 and 12
(b) Pre-opening purchases/leases	Sec. 4.B., C., E., F.	Sec. 3.2	Item 7 and 8
(c) Site development and other pre-opening requirements	Sec. 4.A., B., C., E., F.	Sec. 3.2	Items 6, 7, 11
(d) Initial and ongoing training	Sec. 5.A., B., C., D., E., F., G.	Sec. 5	Item 11
(e) Opening	Sec. 4.G.	None	Item 11
(f) Fees	Sec. 3.C., 4.H., 5.B., C., D., E., G., I., 9., 10.D., K., 11.B., D., 12.B., 13.C., 14.C., D., E., and 17.K.	Sec. 2	Items 5, 6 and 7
(g) Compliance with standards and policies (Operations Manual)	Sec. 5.H., 10.E., J., K., L., M., 11.B.	Sec. 5	Item 8, 11 and 16
(h) Trademarks and proprietary information	Sec. 6. and 7	Sec. 1.4, 1.5, 5, 6	Items 13 and 14
(i) Restrictions on products/services offered	Sec. 5.H., 10.A., C., D., E., L.	None	Items 8 and 16
(j) Warranty and customer service requirements	Sec. 10.E., G.	None	None
(k) Territory development	Sec. 2.B.	Sec. 1.2, 3, Exhibit B	Item 12
(l) On-going product/services purchases	Sec. 5.E., 10.B., C., D., E., K., L., M., N.	None	Item 8



<u>Obligation</u>	<u>Section In Franchise Agreement</u>	<u>Section in Multi-Unit Development Agreement</u>	<u>Disclosure Document Item</u>
(m) Maintenance, appearance and remodeling requirements	Sec. 10.B.	None	Item 11
(n) Insurance	Sec. 10.K.	None	Items 6 and 7
(o) Advertising	Sec. 11	None	Items 6, 7, and 11
(p) Indemnification	Sec. 8.C., 14.D.	Sec. 8.5, 11.3	Item 6
(q) Owner's participation/management/staffing	Sec. 10.I., J.	None	Items 11 and 15
(r) Records/reports	Sec. 12.A., B.	Sec. 3.5	Item 6 and 11
(s) Inspections/audits	Sec. 6.F., 12.C.	None	Item 6 and 11
(t) Transfer	Sec. 13	Sec. 8	Item 6 and 17
(u) Renewal	Sec. 3	None	Item 6 and 17
(v) Post-termination Obligations	Sec. 15	Sec. 9	Item 17
(w) Non-competition Covenants	Sec. 7.C., 16.	Sec. 6.4, 9.4	Item 17
(x) Dispute Resolution	Sec. 17.C., D., E., F.	Sec. 12	Item 17
(y) Guaranty	Sec. 4.A., Exhibit 2	Sec. 15, Exhibit C	Item 15

**Item 10**  
**FINANCING**

We do not offer direct or indirect financing. We do not guaranty your note, lease or obligation.

**Item 11**  
**FRANCHISOR'S ASSISTANCE, ADVERTISING,**  
**COMPUTER SYSTEMS AND TRAINING**

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

**Before you open your Franchised Business**

1. We will provide you written notice of approval or disapproval of a proposed site within 30 days of receiving your request and all necessary documents. The factors that we may

consider in determining whether a proposed location for the Facility is approved include demographic characteristics. Any lease for the location must include certain terms we require. You must obtain our approval of your location for the Facility and have secured a lease for the location within 6 months of signing the franchise agreement. If you fail to do so, your franchise can be terminated by us. (Franchise Agreement, Section 4.B and 4.C.)

For Multi-Unit Developers, as you establish each location under the Multi-Unit Development Agreement, we will determine whether a site you propose is approved based on the then-current factors we are considering for approving a site.

2. We will furnish you with plans and specifications reflecting our requirements for interior layout, design, decoration, fixtures, furniture, equipment and signs for your Facility. You must obtain our approval of any variation from our plans and specifications necessary to comply with applicable ordinances, building codes, permit requirements, and lease requirements. (Franchise Agreement, Section 4.D.)

3. We will provide standards and specifications and list of approved suppliers for purchasing furniture, fixtures, equipment, computer systems, signs, and other materials and supplies necessary for a Franchised Business to begin operations. (Franchise Agreement, Sections 4.F., 10.D. and 10.E.)

4. We will determine that you have met the requirements to open for business and issue a written consent to open (Franchise Agreement, Section 4.G.)

5. We will provide you access to an electronic copy of the Operations Manual (described below). (Franchise Agreement, Section 5.H.)

6. We will provide initial training to your Owners, Designated Managers, and Lead Dog Trainers (Franchise Agreement, Section 5.B.). This training will be described in detail later in this item.

7. We will provide on-site start-up assistance and training to you at your Facility within 45 days of the opening of your Facility for up to 3 days. If we require or you request additional on-site start-up assistance, we will provide the additional assistance at your expense (Franchise Agreement, Section 5.C.)

#### During your operation of Franchised Business

1. We provide guidelines regarding the Grand Opening Marketing that you must conduct during the 60 days prior to opening and your first 60 days of operation. (Franchise Agreement, Section 11.B.)

2. We furnish you with guidance and assistance in the operation of your Franchised Business as we deem appropriate. Operating assistance may consist of advice and guidance with respect to sale of products and provision of services, and any changes in the authorized services and products; recommended pricing; purchasing requirements; advertising and promotional programs; administrative, bookkeeping, accounting, sales and general operating procedures; and employee training programs. This guidance will be furnished in the Operations Manual (defined below), lists of

approved suppliers, other written materials, electronic communication, consultations by phone, webinars and/or consultations at our office or at your Franchised Business. (Franchise Agreement, Section 5.F.)

3. Upon your request, we will send a representative to your Facility to provide additional guidance and assistance for a fee. We may require this additional guidance and assistance if you are not operating your Franchised Business in compliance with the Franchise Agreement. (Franchise Agreement, Sections 5.G.)

4. During the term of the Franchise Agreement, we provide you access on a web platform to an operating and procedures manual (the "Operations Manual"), containing mandatory and suggested specifications, standards and operating procedures prescribed from time to time by us for Franchised Businesses and information on other obligations you have under the Franchise Agreement. The Operations Manual may be modified at any time to reflect changes in the System, including additions to and deletions from authorized products and services, specifications, standards and operating procedures of a Franchised Business and under the Franchise Agreement. The current Table of Contents of the Operations Manual is included as Exhibit H of this Disclosure Document. The total number of pages in the Operations Manual is currently 182. (Franchise Agreement, Section 5.H.)

5. We issue, modify and supplement the services and products authorized for Franchised Businesses, and the standards, specifications and procedures for purchasing and for the operation of Franchised Businesses. (Franchise Agreement, Section 10)

6. We will maintain and administer a system-wide brand fund (the "Brand Development Fund") for the creation and development of advertising, marketing and promotional programs as we deem necessary or appropriate to advertise or promote Franchised Businesses. (Franchise Agreement, Section 11.A.) We can require you to contribute up to 2% of Gross Revenue to the Brand Development Fund. We and our affiliates are not obligated to contribute to the Brand Development Fund, although we may do so in our discretion.

We generally do not own the location for the Facility and lease it to you.

We will direct all advertising, marketing and promotional programs financed by the Brand Development Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. The Brand Development Fund may be used to pay the costs of preparing and producing video, audio, written and electronic advertising materials; administering national, regional or local advertising and promotional programs including, without limitation, direct mail, social media and other media advertising; establishing and maintaining a website for the franchise system; supporting public relations, market research and marketing activities; providing advertising, marketing and promotional materials or content to the PetU franchises; employing advertising or public relations agencies to assist in any of the activities of the Brand Development Fund; and other brand development activities.

The Brand Development Fund will be a separate and distinct account and will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the Brand Development Fund and its advertising,

marketing and promotional programs (including, conducting market research, preparing advertising, marketing and promotional materials, establishing and maintaining a website for Franchised Businesses, establishing and maintaining technology for use in the operation of the Franchised Businesses, and collecting and accounting for contributions to the Brand Development Fund). We may spend in any fiscal year an amount greater or less than the total contribution of Franchised Businesses to the Brand Development Fund in that year. We may cause the Brand Development Fund to borrow from itself or other lenders to cover deficits of the Brand Development Fund or cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. All interest earned on monies contributed to the Brand Development Fund will be used to pay advertising, marketing and promotional costs of the Brand Development Fund before other assets of the Brand Development Fund are expended. We will prepare an annual statement of monies collected and costs incurred by the Brand Development Fund and will furnish it to you on written request. There is no requirement that the Brand Development Fund be audited.

The Brand Development Fund is intended to maximize recognition of the Marks and patronage of Franchised Businesses. Although we intend to use the Brand Development Fund to develop advertising, marketing and promotional materials, and to place advertising in a manner that will benefit all Franchised Businesses, we have no obligation to ensure that expenditures by the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Development Fund by Franchised Businesses operating in that geographic area or that any Franchised Business will benefit directly or in proportion to its contribution to the Brand Development Fund from the development of advertising, marketing and promotional materials or the placement of advertising. Contributions to the Brand Development Fund will not be used principally to solicit new franchise sales. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Brand Development Fund. We have the right to discontinue or reestablish the Brand Development Fund. If the Brand Development Fund is discontinued, all amounts remaining in the Brand Development Fund on the date of discontinuance will be distributed to franchisees in proportion to their respective contributions for the most recent 12 months.

We currently do not have an advertising council of franchisees that advises us on advertising policies.

We may approve the establishment of a local or regional advertising cooperative consisting of franchisees in a certain area for purposes of developing cooperative local or regional advertising or promotional programs. The area covered by the cooperative will be determined by us. The members of the cooperative will determine what advertising and promotional programs it will undertake, subject to our prior approval, and you must contribute to the advertising cooperative the amount and in the manner determined by a majority of the cooperative. Payments you make to the cooperative are credited toward your local advertising expense requirement. The members of the cooperative are responsible for the administration of the cooperative and each Facility (whether franchised or owned by us or an affiliate) will have one vote. The cooperative does not have to operate from written governing documents and does not have to prepare annual or periodic financial statements. We have the power to form, change, dissolve or merge cooperatives. Facilities owned and operated by us or our affiliates will be members of any cooperative covering their area and will contribute in the same manner as other members. There are no cooperatives currently in existence.

Before you use them, samples of all local marketing, advertising and promotional materials, programs and information and content for your webpage, any listing on the Internet or any information to be displayed on any social media site not prepared or previously approved by us must be submitted to us for approval. If we have not approved any submitted advertising within 10 business days, it will be deemed disapproved. You may not use any marketing, advertising or promotional materials, programs, information or content that we have disapproved. (Franchise Agreement, Sections 11.E.)

### Computer System

You must purchase and use the computer systems (software and the hardware to support it) and other technology requirements that we require for use at your Facility. The required office computer system includes MS Office 365, Point-of-Sale (POS) System, business operations, staff scheduling, appointment booking, and customer communication software from PetExec, QuickBooks, and the hardware to support these programs. The initial cost of purchasing the required office computer system is \$2,500 to \$3,500. You will pay a monthly fee for MS Office 365 (estimated at \$13 per month) and Quickbooks (estimated at \$70 per month). You will pay a monthly fee for PetExec (estimated at \$155 per month).

We can require you to upgrade your computer system at any time. There are no limits under the Franchise Agreement on the number of times you must upgrade or substitute software or hardware on the amount you may be required to spend on these upgrades or substitutions. We have the right to have access your computer system to retrieve information regarding the operations of your Franchised Business and there are no limitations under the Franchise Agreement on our right to access.

You must have high-speed Internet and maintain an e-mail account for use in operating your Franchised Business, for communication with us and for access to our franchise internet. We may require you to use an e-mail account designated by us.

We have no obligation to provide ongoing maintenance, support or upgrades to the required computer system. The estimated annual cost for maintenance of the required computer systems is \$130 to \$2,400.

### Typical Length of Time for Opening

We estimate that the length of time between the signing of the Franchise Agreement and the opening of your Franchised Business will be 11 months, depending on the amount of time it takes to secure an approved location for your Facility, to complete build-out of the Facility, to complete the initial training program, and other factors.

You may not open your Facility for business until: (1) you have secured an approved location for the Facility and installed all fixtures, furniture and equipment, including computer systems in accordance with list of approved suppliers and our purchasing standard and specifications; (2) your Owners, Designated Managers, and Lead Dog Trainers have completed the initial training program to our satisfaction; (3) you have furnished us with evidence of the required insurance coverage; (4) you have furnished us with evidence that you have met all licensing requirements applicable to the

PetU Business; (5) you have established an entity to operate the PetU Business; and (6) we have provided you with written consent to open. You must complete these opening requirements and begin operation of your Facility within 11 months of the date of signing the Franchise Agreement.

### Training

Before your Franchised Business opens, your Owners must attend and complete to our satisfaction, our initial training program on the operation of a Franchised Business. Prior to attending the initial training program, you must successfully complete the PetExec Gold Paw training program for the PetExec software you are required to use in the operation of your Franchised Business. You are sent other pre-training materials that you must complete prior to arriving for the Initial Training Program. The Initial Training Program will last a total of approximately 36 days. Part I (Operation of a PetU Business) will last approximately 25 days and Part II (Dog Training Program) will last approximately 11 days. Both Parts I and II will be conducted at one of our affiliate Facilities or other location determined by us. Initially, we expect to conduct initial training classes as needed. You must attend our initial training program between 3 weeks and 7 weeks prior to opening your PetU Franchised Business. In addition, you will be responsible for all compensation, travel, lodging and other living expenses incurred by your Owners, Designated Managers, and Lead Dog Trainers while attending training.

If we determine during a training program that your Owners, Designated Managers, or Lead Dog Trainers are not qualified to manage a Franchised Business, we can require the Owners, Designated Managers, or Lead Dog Trainers to attend and successfully complete additional training for an additional fee or we can terminate your franchise, effective upon delivery of written notice to you.

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As of the date of this Disclosure Document, we provide the following initial training:

**INITIAL FRANCHISE TRAINING**

**In-person training  
Part I: Operation of a PetU Business**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON-THE-JOB TRAINING</b>	<b>LOCATION</b>
Introduction	16	16	Milwaukee, Wisconsin Metropolitan Area
Pre-Opening Procedures	20	20	Milwaukee, Wisconsin Metropolitan Area
Human Resources	2	2	Milwaukee, Wisconsin Metropolitan Area
Operating Procedures	24	32	Milwaukee, Wisconsin Metropolitan Area
Reporting Functions	8	8	Milwaukee, Wisconsin Metropolitan Area
Marketing Issues	5	1	Milwaukee, Wisconsin Metropolitan Area
Customer Service	8	8	Milwaukee, Wisconsin Metropolitan Area
Quality Control Processes	8	8	Milwaukee, Wisconsin Metropolitan Area
Other Administrative Issues	8	8	Milwaukee, Wisconsin Metropolitan Area
<b>Total</b>	<b>99</b>	<b>103</b>	

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**In-person training  
Part II: Dog Training Program**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Brand Standards			Milwaukee, Wisconsin Metropolitan Area
Methodology			Milwaukee, Wisconsin Metropolitan Area
Dog Training Sales			Milwaukee, Wisconsin Metropolitan Area
Training Processes: Evaluation to Completion			Milwaukee, Wisconsin Metropolitan Area
<b>Total</b>	<b>24</b>	<b>64</b>	

The training will be conducted by Angela Trzcinski and Abigail Wilson, as well as others we designate.

Angela Trzcinski is our Founder, Owner, and Chief Executive Officer. She has owned PetU businesses since 2012 and has over 11 years’ experience in the subjects taught. Abigail Wilson is our Operating Manager and has managed PetU businesses since 2016 and has over 7 years’ experience in the subjects taught.

We reserve the right to make changes to the instructors at any time.

Currently the instructional materials for the initial training program are the Operations Manual and dog training equipment, including training collars.

If you want to have more Owners, Designated Managers, or Lead Dog Trainers (up to 3 attendees at no fee) trained by us when you attend the initial training program or if you want to send new or additional Owners, Designated Managers, or Lead Dog Trainers to training after you attend the initial training program, we will provide this training for a fee provided training space is available. You are responsible for all travel and living expenses and wages incurred by your Owners, Designated Managers, and Lead Dog Trainers who attend training. (Franchise Agreement, Section 5.B.)

Around the time of the opening of your PetU Business, we will send one of our representatives to your Territory to provide on-site start-up assistance at the Facility for up to three 3 days. If you request or we require additional on-site start-up assistance, we will provide this assistance for a fee. If we provide additional on-site start-up assistance, you are responsible for all travel and living



expenses incurred by our representative in traveling to your Territory. (Franchise Agreement, Section 5.C.)

We may offer and we may require your Owners, Designated Managers, and Lead Dog Trainers to attend supplemental training, seminars, programs, regional franchise meetings, teleconferences, or webinars during the term of the franchise at times and places we designate. You will be responsible for your and your employees' travel and living expenses. (Franchise Agreement, Section 5.D.)

We may periodically hold an Annual Conference for all franchisees. Your Owners and Designated Managers must attend the Annual Conference. You must pay the travel and living expenses your Owners and Designated Managers incur in attending the Annual Conference. Failure to attend 2 or more conferences or supplemental education during the term of the franchise is a material default under the Franchise Agreement. (Franchise Agreement, Section 5.E.)

## **Item 12** **TERRITORY**

Once the site for your Facility is approved, we will assign a territory ("Territory") for your Franchised Business. The Territory will be either (i) a certain mile radius (between .5 miles and 5 miles) from the Facility, depending on the nature of the area in which the Facility is located or (ii) a geographic area with at least 100,000 individuals, and further defined by demographic information, man-made or natural boundaries, zip codes, political boundaries, or traffic patterns. Once the location of your Facility is approved the location and the applicable Territory will be filled in at Exhibit 1 to your Franchise Agreement. The following factors will be considered in defining a Territory, in our sole discretion as to the relevance, in addition to population density: geographical boundaries, cultural demographics, household composition and income, population count, age, traffic/trip count, daytime population, competition, housing density and permit and zoning regulations. We will designate the exact boundaries of the Territory within 15 days after the execution of a lease for the Facility.

As long as you are not in default under any terms of the Franchise Agreement, we will not establish another franchised, company-owned or affiliate-owned Franchised Business in your Territory, except for Captive Market Locations (as defined below).

We reserve the right both within and outside the Territory, to: (i) offer and sell similar services and products using our Marks or other marks through an alternate distribution system, including the Internet or similar electronic media; (ii) establish businesses offering similar services and products using different marks; (iii) acquire or be acquired by a company establishing businesses identical or similar to Franchised Businesses; (iv) service a national account located within your Territory, either ourselves or through an affiliate or other PetU franchisee if you are not participating in the national account program; (v) establish and operate, or allow others to establish and operate, Facilities physically located at Captive Market Locations, whether within your Territory or not, on any terms and conditions we deem appropriate; and (v) engage in any other business activities not expressly prohibited by the Franchise Agreement. We are not required to pay you if we exercise any of these rights within your Territory.

The franchise is granted for a Facility at 1 specific location which must be approved by us. You

may not relocate your Facility without our prior written approval. We will grant you the right to relocate meeting our then current criteria as long as you are not relocating due to your breach of the lease for your Facility.

Certain sites, locations, or venues have characteristics that make them distinct from locations that could generally be developed into Facilities, such as sites that independently generate customer traffic flow separate from the general customer traffic flow of the surrounding area, or that by their nature are not tied to a particular physical location (“Captive Market Locations”). Captive Market Locations include: are airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store, hotels, or other similar types of locations that have a restricted trade area located within the geographic boundaries of the Territory. Captive Market Locations are specifically excluded from your Designated Area, meaning that we have the right to develop Facilities or license others the right to develop Facilities at Captive Market Locations located within the borders of your Territory.

Because we and others may establish and operate Facilities at Captive Market Locations in your Territory and because of the reserved rights above, 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. Although we reserve the right to do so in future, neither we nor our affiliates operate or plan to operate or franchise businesses under a different trademark that will sell goods or services that are the same as or similar to those you will sell.

In addition to your Facility, you may provide dog training in Customers’ Homes. You may only conduct these activities at Customers’ Homes outside of your Territory if the Customers’ Homes are located in an area that is not part of a territory granted to another franchisee of ours. Once a franchise is granted for any area in which you are using Customers’ Homes outside of your Territory and the new franchisee has completed initial training, you must cease conducting dog training in the new franchisee’s Territory as soon as the currently scheduled dog trainings end.

You may only directly market for customers of the Facility within the Territory and are strictly prohibited from direct marketing for customers of the Facility outside of the Territory. You are prohibited from selling any products or services through alternate channels of distribution such as the internet.

You do not receive any options, rights of first refusal, or right to acquire additional franchises under the franchise agreement. You must meet our then-current qualifications for opening another franchise and purchase another franchise to establish another franchised Facility with additional territory.

### National Accounts

A “National Account” means a business, institution, governmental agency or other person or entity that either itself or through common ownership, association or independent contractors, has multiple locations in a number of geographic areas that fall within multiple franchise territories, has ongoing demands for services and products that in a number of geographic areas or that exceed the capability of any single franchised business, and/or prefers a single contact in order

to control pricing, billing, customer satisfaction, and/or similar requirements. In order to participate in the National Accounts Program, you must (i) be and remain in compliance with Franchise Agreement, and (ii) comply with our published standards, policies and procedures for participation in the National Accounts Program. Further, in order to provide services to a particular National Account, you must comply with the requirements of that particular National Account. You will have the right to decline participation in the National Accounts Program or with respect to a particular National Account. In the event that you decline to participate in the National Accounts Program, decline to service any National Account location within your Territory, or are prohibited from providing services to the National Account location within your Territory pursuant to the standards, policies and procedures of the National Accounts Program or the requirements of a particular National Account, we (either directly, or indirectly through a franchisee) may provide services at National Account locations or to National Account customers located within your Territory.

#### Multi-Unit Development Agreement

Under the Multi-Unit Development Agreement, you are granted a designated area in which you have the right to develop multiple PetU Facilities during the term of the Multi-Unit Development Agreement (“Development Area”). The Development Area will be negotiated by you and us and will be described in Exhibit A to the Multi-Unit Development Agreement. The size of the Development Area will vary and will depend on the number of PetU Facilities you intend to open, our analysis of the market potential and your financial and operational abilities. As long as you are in compliance with the Multi-Unit Development Agreement, during the term of the Multi-Unit Development Agreement, we will not grant any franchise or ourselves establish any PetU Facilities within the Development Area. We reserve the same rights in your Development Area as we reserve in your Territory under any Franchise Agreement between you and us.


As you develop each PetU Facility under the Multi-Unit Development Agreement, the Territory granted to you under each Franchise Agreement will be based on our then-current standards for granting territories, which may differ from the territorial protection granted to franchisees under this Disclosure Document.

We reserve all rights not specifically granted to you.

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**Item 13**  
**TRADEMARKS**

We grant you the non-exclusive right and obligation to use the Marks under your Franchise Agreement. You may also use other current or future trademarks to operate your PetU Business as we designate from time to time. Our affiliate Pet University, LLC owns and is using the Marks in connection with PetU Businesses and has granted a license to us to use and sublicense the use of the Marks to our franchisees. Pet University, LLC has applied for and/or obtained a registration for the Marks on the Principal Register of the United States Patent and Trademark Office (the “USPTO”):

<b>Service Mark</b>	<b>Filing Date</b>	<b>Serial No.</b>
PetU (Word Mark)	December 27, 2022	97733099
PetU K9 Higher Education (Word Mark)	December 27, 2022	97733116
	December 27, 2022	97733139

We derive the right to use the Marks under a License Agreement dated February 1, 2023 (“License Agreement”) with our affiliate, Pet University, LLC, the owner of the Marks. The License Agreement permits us to license to our franchisees the use of the names and marks “PetU” and “PetU K9 Higher Education,” and the related design mark, and the Proprietary System developed by Pet University, LLC. The term of the License Agreement is 20 years, with automatic 10-year renewals, unless Pet University, LLC provides us a written notice of termination for good cause. We have the non-exclusive right to use the Marks and Proprietary System in connection with the offer and sale of franchises to third parties to own and operate PetU Franchised Businesses. Pet University, LLC may terminate our rights under the License Agreement in the event of our breach. Under the License Agreement we must furnish Pet University, LLC with specimens of the use of the Marks, including, but not limited to advertising and promotions. The License Agreement does not limit our or your rights to use the name or the Proprietary System. There are no other agreements currently in effect that significantly limit our or your rights to use the PetU or PetU K9 Higher Education names or the Proprietary System.

We do not yet have trademark registrations of our principal mark or logo design, “PetU” or “PetU K9 Higher Education.” An application for the word mark has been filed as noted in the above table. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Our affiliate will file all required affidavits necessary to maintain these registrations.

There is currently no pending material federal or state court litigation regarding our use or

ownership rights in any of our Marks. There are no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks.

You must follow our rules, guidelines and requirements when using the Marks. You cannot use our name or the Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent, which we may withhold in our sole discretion. You must indicate to the public in any contract, advertisement and with a conspicuous sign in your PetU Business that you are an independently owned and operated licensed franchisee of ours. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. All rights and goodwill from the use of the Marks accrue to us.

We have the sole right to control use of the Marks on all websites, social media, digital marketing and mobile applications.

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

You must notify us immediately if you learn about an infringing or challenging use of the Marks. If you are in compliance with the Franchise Agreement, we will defend you against any claim brought against you by a third party alleging that your use of the Marks in accordance with the Franchise Agreement infringes upon that party's intellectual property rights. We may require your assistance, but we will control any proceeding or litigation relating to the Marks. We have no obligation to pursue any infringing users of the Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us immediately if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving the Marks. You must not directly or indirectly contest our right to the Marks. We may acquire, develop and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

#### **Item 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not hold any patents material to the franchise.

You must immediately notify us in writing of any apparent infringement or challenge to our or your use of the copyrighted items, including derivative works. We will take the action we think is

appropriate. You must assist us in any hearings or suits to protect the copyrighted items as is necessary.

We claim copyrights in the Operations Manual and other written materials containing proprietary information.

If you, your Owners, managers or employees develop any ideas, concepts, methods, techniques or improvements relating to your Franchised Business, you agree to disclose that information to us and all of that information will become part of our confidential information. You must also assure that all corresponding intellectual property rights are assigned to us.

You may not use our confidential information (as defined in the Franchise Agreement) in any unauthorized manner. You must take reasonable steps to prevent disclosure of our confidential information to others, including having your managers and employees sign a confidentiality agreement. All of your managers and other employees who have access to the confidential information must maintain the confidentiality of that information and sign a confidentiality agreement in a form approved by us. You must provide us with copies of the signed confidentiality agreements.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements currently in effect which significantly limit our right to use or license the use of any copyrighted materials. There are no infringing uses actually known to us which could materially affect a franchisee's use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights, trade secrets or confidential information, although we intend to take whatever action, we deem necessary to protect the best interests of the franchised System.

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

We expect only business entities, and not individuals, to operate the Franchised Business. You must designate an Operating Owner who must meet our approval. The Operating Owner must maintain a majority ownership in your entity. The Operating Owner must participate in and complete our Initial Training Program and must have authority to make decisions on your behalf and bind you with respect to matters and agreements between you and us.

Your Facility must be managed and supervised by a Designated Manager, who may be the Operating Owner. Your Designated Manager will be responsible for all day-to-day operational decisions affecting your Franchised Business. Your Designated Manager must exert his or her full time best-efforts to the development and operation of your Franchised Business and must attend and complete the Initial Training Program and all other training programs that we require from time to time. The Designated Manager must have the authority to make all day-to-day operations decisions affecting your Franchised Business, and may not engage in any other business activity, directly or indirectly, that requires substantial management responsibility or time commitments or that otherwise interferes with his or her role as your Designated Manager.

Your dog training programs, including dog training conducted as an ancillary service to dog day care or boarding, must be supervised by a Lead Dog Trainer. Your Lead Dog Trainer must attend and complete the Dog Training Program portion of the Initial Training Program.

Each of your Owners must personally guarantee your obligations under the Franchise Agreement, and must agree to be bound by, and personally liable for the breach of, every provision in these agreements, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the preservation of the confidentiality of our confidential information as defined in the Franchise Agreement and compliance with the covenants not to compete described in the Franchise Agreement. The "Guaranty and Assumption of Obligations" is an exhibit to the Franchise Agreement.

#### **Item 16**

#### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer for sale the services and products that we authorize for sale by PetU businesses and must offer them only in the manner we have prescribed. You may not offer for sale or sell any services or products that we have not authorized unless you obtain our prior written approval. We have the right to change (either add or delete) the types of required and/or authorized services and products at any time and there are no limits on our right to do so. You may not use the Facility for any purpose other than the operation of the Franchised Business.

In order to provide pet services for a National Account, you must agree to abide by the terms of our contract with the National Account as well as our National Accounts standards, policies and procedures.

You are limited as to the customers to whom you may offer your services to the extent that you cannot provide dog training at any Customers' Homes within the territory granted to another franchisee, except as is permitted under a National Accounts program. You may not sell products or services through other channels of distribution such as wholesale, internet or mail order sales. Otherwise, except as provided in Item 12, we place no restrictions upon your ability to serve customers and we do not impose any restrictions limiting your access to customers.

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**Item 17**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreement attached to this Disclosure Document.**

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 2.A.	Term is for 10 years from date of signing the franchise agreement.
b. Renewal or extension of the term	Section 3	If you are in compliance with the franchise agreement, you can acquire a successor franchise for 1 additional term of 10 years.
c. Requirements for franchisee to renew or extend	Section 3	Compliance with Franchise Agreement during its term, give notice, meet current training requirements, upgrade Facility, vehicles and equipment, sign then-current franchise agreement, you and your owners sign release, and pay renewal fee. The renewal agreement you must sign to renew the franchise may contain materially different terms and conditions than your original franchise agreement.
d. Termination by franchisee	Not applicable	Not applicable
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Sections 14.A. and 14.B.	We can terminate only for cause.
g. "Cause" defined – curable defaults	Section 14.B.	You have 10 days to cure defaults in payment or reporting, 10 days to deliver proof of insurance or reimburse company, 10 days to comply with federal, state or local law, default under Facility lease within cure period, and 30 days for all defaults not listed in Section 14.B.



PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. "Cause" defined – non-curable defaults	Section 14.A.	Failure to open Franchised Business or satisfactorily complete training in time required, made material misrepresentation or omission in application, abandonment, surrender or failure to operate for 5 or more consecutive days, do not reinstate lapped license for five 5 days, conviction of a felony or engage in immoral, dishonest or unethical conduct, unauthorized transfers, unauthorized use or disclosure of confidential information or Operations Manual, unauthorized use of Marks, having interest in competing business, creation of a threat to public health or safety not corrected within 24 hours, 3 or more defaults in any 12 month period, fail to attend 2 or more conferences, having verbally or physically abused a dog or failed to investigate verbal or physical abuse of a dog of your employee or contractor, gross negligence in the care and safety of any dog or failure to investigate gross negligence by an employee or contractor.
i. Your obligations on termination/ non-renewal	Section 15	Pay outstanding amounts, cease operating, cease using Marks, return items containing Marks, cancel fictitious names, transfer telephone number and Digital Marketing accounts to us, return of Manual and other confidential information, assignment of lease, de-identification of Facility, comply with covenants not to compete, furnish evidence of compliance within 30 days (see also o. and r. below)
j. Assignment of contract by franchisor.	Section 13.A.	No restriction on our right to assign.
k. "Transfer" by franchisee – definition	Sections 13.B. and 13.D.	Includes transfer of any interest in Franchise Agreement, Franchised Business, a substantial portion of its assets, or ownership change in franchisee entity.
l. Franchisor approval of transfer by franchisee	Sections 13.C.	We have right to approve all transfers, but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 13.C.	You have complied with Franchise Agreement during the term, all amounts due us and our affiliates are paid, transferee entity and owners qualify and complete training, lessor consents to lease assignment, transferee assumes your agreement or signs new agreement (at our option), transfer fee paid, general release signed by you and your owners, we approve terms of transfer and you subordinate buyer's debt to you to our interest in franchise business, and you or transferee remodel the Business Location (see also r below).

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13.F.	We can match any offer for your business or an ownership interest in you.
o. Franchisor's option to purchase franchisee's business	Section 15.G.	We may within 30 days of termination or expiration purchase certain assets of your Franchised Business at lesser of cost or fair market value.
p. Death or disability of franchisee	Section 13.E.	Ownership interest of deceased or disabled owner must be assigned to approved buyer within 6 months or your franchise may be terminated. In the interim, Franchised Business must be operated by a trained manager or manager appointed by us.
q. Non-competition covenants during the term of the franchise	Section 7.C.	No involvement in competing business anywhere.
r. Non-competition covenants after the franchise is terminated or expires	Section 16.A.	No involvement in a competing business for 2 years within 10 miles of your Territory or territory of any other Franchised Business (same restrictions apply after assignment).
s. Modification of the Agreement	Sections 16.B. and 17.M.	Operations Manual and standards and specifications are subject to change. No modifications to the Franchise Agreement except if in writing and signed by both parties.
t. Integration/merger clause	Section 17.M.	Only terms of the Franchise Agreement (including exhibits, attachments, Operations Manual and other written materials) and representations made in this Disclosure Document are binding.  Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Sections 17.C.	With a few exceptions, disputes must be mediated before filing a lawsuit.
v. Choice of forum	Section 17.F.	Litigation must be in the state in which our principal place business is located (currently Wisconsin); subject to state law.
w. Choice of law	Section 17.F.	Law of the state in which our principal place of business is located, except franchise laws only apply if you meet jurisdictional requirements, subject to state law.

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**This table lists certain important provisions of the Multi-Unit Development Agreement. You should read these provisions in the agreements attached to this disclosure document.**

PROVISION	SECTION IN MULTI-UNIT DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the franchise term	Section 4	Agreement expires on our acceptance and execution of the Franchise Agreement for the last franchise to be developed.
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	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 7	We can terminate if you commit a listed violation.  Termination of the Multi-Unit Development Agreement does not permit us to terminate any Franchise Agreement between you and us. Likewise, termination of any Franchise Agreement between you and us does not permit us to terminate the Multi-Unit Development Agreement.
g. "Cause" defined – curable defaults	Section 7	Not applicable
h. "Cause" defined – non-curable defaults	Section 7	Bankruptcy or similar proceeding, failure to comply with development schedule, dissolution of entity or death of an Owner, conviction of a felony or engage in immoral, dishonest, or unethical conduct, breach of the agreement, verbal or physical assault of franchisor parties, unauthorized transfer, breach of any Franchise Agreement.  Termination of the Multi-Unit Development Agreement does not permit us to terminate any Franchise Agreement between you and us. Likewise, termination of any Franchise Agreement between you and us does not permit us to terminate the Multi-Unit Development Agreement.
i. Your obligations on termination/non-renewal	Section 7.4	No further right to develop; however, termination does not affect existing franchise agreements.
j. Assignment of contract by franchisor.	Section 8.1	We have an unrestricted right to assign.
k. "Transfer" by franchisee – definition	Section 8.2	Include transfer of any interest in the MUDA or in the Developer.

PROVISION	SECTION IN MULTI-UNIT DEVELOPMENT AGREEMENT	SUMMARY
l. Franchisor approval of transfer by franchisee	Section 8.2	We have right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 8.4	All amounts due us and our affiliates are paid, transferee entity and owners qualify and complete training, transferee assumes your agreement or signs new agreement (at our option), transfer fees paid, general release signed by you and your owners, we approve terms of transfer and you subordinate buyer's debt to you to our interest in franchise business (see also r below).
n. Franchisor's right of first refusal to acquire franchisee's business	Not applicable	Not applicable
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p. Death or disability of franchisee	Not applicable	Not applicable
q. Non-competition covenants during the term of the franchise	Section 6.4	No involvement in a similar business or with a business granting franchises for similar businesses; subject to applicable state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 9	For 2 years after termination or expiration of the MUDA you will not have any interest in a similar business with the Development Area or within 10 miles of any PetU Business except under a Franchise Agreement with us. For 2 years, you will not divert customers to competitive businesses or employ any of our or our affiliates' employees, subject to applicable state law.
s. Modification of the Agreement	Section 13.4	No modifications unless in writing and signed.
t. Integration/merger clause	Section 13.4	Only the terms of the MUDA are binding (subject to state law). Any representations or promises outside of the disclosure document and may not be enforceable.  Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 12	Except for certain claims, mandatory mediation before initiating an arbitration proceeding; subject to applicable state law.
v. Choice of forum	Section 12.6	Arbitration must be in Milwaukee County, Wisconsin. Litigation must be in any state court of general jurisdiction or a federal court in Wisconsin (subject to state law).

PROVISION	SECTION IN MULTI-UNIT DEVELOPMENT AGREEMENT	SUMMARY
w. Choice of law	Section 12.6	Except for applicable federal law, Wisconsin law applies (subject to state law).

**Item 18**  
**PUBLIC FIGURES**

We do not use any public figure to promote its 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 particular location or under particular circumstances.

**STATEMENT OF ACTUAL ANNUAL GROSS PROFIT AND PROFIT MARGIN  
FOR THE 12 MONTH PERIOD JANUARY 1, 2022 TO DECEMBER 31, 2022  
OF 3 AFFILIATE-OWNED FACILITIES**

The following is a statement of gross profit and profit margin for the 12 month period ended December 31, 2022 for 3 affiliate-owned PetU Facilities.

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

	Milwaukee		Racine		Mequon	
<b>INCOME</b>						
Sales	<u>\$357,946</u>	100.00%	<u>\$339,097</u>	100.00%	<u>\$388,805</u>	100.00%
<b>TOTAL INCOME</b>	<b>\$357,946</b>	<b>100.00%</b>	<b>\$339,097</b>	<b>100.00%</b>	<b>\$388,805</b>	<b>100.00%</b>
<b>COGS</b>						
Food Purchases	\$5,861	1.64%	\$1,943	0.57%	\$2,519	0.65%
Product Purchases	\$10,522	2.94%	\$16,410	4.84%	\$536	0.14%

Direct Labor	\$189,027	52.81%	\$152,297	44.91%	\$182,866	47.03%
Veterinarian Fees	<u>\$1,311</u>	0.37%	<u>\$0</u>	0.00%	<u>\$0</u>	0.00%
<b>TOTAL COGS</b>	<b>\$206,721</b>	<b>57.75%</b>	<b>\$170,650</b>	<b>50.32%</b>	<b>\$185,920</b>	<b>47.82%</b>
<b>FRANCHISE FEES/COSTS</b>						
Royalty (6%)	\$21,477	6%	\$20,346	6%	\$23,328	6%
Brand Development Fund (currently 1%)	\$3,579	1%	\$3,391	1%	\$3,888	1%
Technology Fee (currently \$150 per month)	\$1,800	0.5%	\$1,800	0.53%	\$1,800	0.46%
<b>TOTAL FRANCHISE FEES/COSTS</b>	<b>\$26,856</b>	<b>7.5%</b>	<b>\$25,537</b>	<b>7.53%</b>	<b>\$29,016</b>	<b>7.46%</b>
<b>GROSS PROFIT/MARGIN</b>	<b>\$124,369</b>	<b>34.75%</b>	<b>\$142,910</b>	<b>42.14%</b>	<b>\$173,869</b>	<b>44.72%</b>

**STATEMENT OF ACTUAL ANNUAL GROSS PROFIT AND PROFIT MARGIN  
FOR THE 12 MONTH PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021  
OF 3 AFFILIATE-OWNED FACILITIES**

The following is a statement of gross profit and profit margin for the 12 month period ended December 31, 2021 for 3 affiliate-owned PetU Facilities.

	Milwaukee		Racine		Glendale	
<b>INCOME</b>						
Sales	<u>\$347,188</u>	100.00%	<u>\$304,282</u>	100.00%	<u>\$278,152</u>	100.00%
<b>TOTAL INCOME</b>	<b>\$347,188</b>	<b>100.00%</b>	<b>\$304,282</b>	<b>100.00%</b>	<b>\$278,152</b>	<b>100.00%</b>
<b>COGS</b>						
Food Purchases	\$0	\$0.00%	\$0	0.00%	\$0	0.00%
Product Purchases	\$15,593	4.49%	\$11,419	3.75%	\$9,183	3.33%
Direct Labor	\$154,702	44.56%	\$123,816	40.69%	\$115,914	41.41%
Veterinarian Fees	<u>\$1,336.86</u>	0.39%	<u>\$0</u>	0.00%	<u>\$0</u>	0.00%
<b>TOTAL COGS</b>	<b>\$171,633</b>	<b>49.43%</b>	<b>\$135,235</b>	<b>44.44%</b>	<b>\$124,378</b>	<b>44.72%</b>

<b>FRANCHISE FEES/COSTS</b>						
Royalty (6%)	\$20,831	6.00%	\$18,257	6.00%	\$16,689	6%
Brand Development Fund (currently 1%)	\$3,472	1.00%	\$3,043	1.00%	\$2,782	1%
Technology Fee (currently \$150 per month)	\$1,800	0.51%	\$1,800	0.59%	\$1,800	0.65%
<b>TOTAL FRANCHISE FEES/COSTS</b>	<b>\$25,103</b>	<b>7.51%</b>	<b>\$23,100</b>	<b>7.59%</b>	<b>\$21,271</b>	<b>7.65%</b>
<b>GROSS PROFIT/MARGIN</b>	<b>\$150,452</b>	<b>43.33%</b>	<b>\$145,947</b>		<b>\$132,503</b>	<b>47.64%</b>

**STATEMENT OF ACTUAL ANNUAL GROSS PROFIT AND PROFIT MARGIN  
FOR THE 12 MONTH PERIOD JANUARY 1, 2020 TO DECEMBER 31, 2020  
OF 3 AFFILIATE-OWNED FACILITIES\***

The following is a statement of gross profit and profit margin for the 12 month period ended December 31, 2020 for 3 affiliate-owned PetU Facilities.

	<b>Milwaukee</b>		<b>Racine</b>		<b>Glendale</b>	
<b>INCOME</b>						
Sales	<u>\$276,240</u>	100.00%	<u>\$264,812</u>	100.00%	<u>\$203,669</u>	100.00%
<b>TOTAL INCOME</b>	<b>\$276,240</b>	<b>100.00%</b>	<b>\$264,812</b>	<b>100.00%</b>	<b>\$203,669</b>	<b>100.00%</b>
<b>COGS</b>						
Food Purchases	\$0	0.00%	\$0	0.00%	\$0	0.00%
Product Purchases	\$15,420	5.58%	\$12,305	4.65%	\$8,866	4.35%
Direct Labor	\$117,111	42.39%	\$104,475	39.45%	\$120,345	59.03%
Veterinarian Fees	<u>\$1,134</u>	0.41%	<u>\$0</u>	0.00%	<u>\$0</u>	0.00%
<b>TOTAL COGS</b>	<b>\$133,665</b>	<b>48.39%</b>	<b>\$116,780</b>	<b>44.10%</b>	<b>\$129,101</b>	<b>63.39%</b>
<b>FRANCHISE FEES/COSTS</b>						
Royalty (6%)	\$16,574	6%	\$15,889	6%	\$12,220	6%
Brand Development Fund (currently 1%)	\$2,762	1%	\$2,648	1%	\$2,037	1%
Technology Fee (currently \$150 per month)	\$1,800	0.65%	\$1,800	0.68%	\$1,800	0.88%

<b>TOTAL FRANCHISE FEES/COSTS</b>	<b>\$21,136</b>	7.65%	<b>\$20,337</b>	7.68%	<b>\$16,057</b>	7.88%
<b>GROSS PROFIT/MARGIN</b>	<b>\$121,439</b>	43.96%	<b>\$127,695</b>	48.22%	<b>\$58,511</b>	28.73%

Notes to tables above:

1. Nearest whole numbers are used.
2. “Gross revenue” is the total revenue earned by the franchisee without any deductions being taken. The “Mean” is the average and is calculated by the sum of all gross revenue reported being divided by the number of territories included in the sum. The “Median” is the middle number of all gross revenue reported, and if there are two middle numbers, is calculated as the average of those two middle numbers. The gross revenue for each franchisee in the set is listed from high to low to determine the highest gross revenue number and the lowest gross revenue number.
3. The Milwaukee, Wisconsin Facility opened in June 2012. The location has approximately 3,600 square feet of interior space and approximately .25 acres of outdoor space.
4. The Racine, Wisconsin Facility opened in May 2015. This location has approximately 10,250 square feet of interior space and about .5 acres of outdoor space.
5. The Glendale, Wisconsin Facility opened in October 2016. This location had approximately 5,500 square feet of interior space and about .25 acres of outdoor space. The Glendale Facility closed in December 2021 due to the nonrenewal of its lease and our affiliate Pet University 3, LLC, opened another Facility in Mequon, Wisconsin.
6. The Mequon, Wisconsin Facility opened in December 2021. This location has approximately 7,500 square feet of interior space and about .25 acres of outdoor space.
7. The Milwaukee, Wisconsin Facility did not provide dog daycare on Saturdays from August 2020 to December 2020. The Racine, Wisconsin Facility did not provide dog daycare on Saturdays from March 2020 to December 2020 or for fiscal years ending December 31, 2021 or December 31, 2022. The Glendale, Wisconsin Facility did not provide dog daycare on Saturdays from August 2020 until it closed in December 2021. The Mequon, Wisconsin Facility did not provide dog daycare on Saturdays in the fiscal year ending December 31, 2022.
8. Our affiliate-owned Facilities share one lead dog trainer. The salary of this lead dog trainer has been allocated equally to the 3 Facilities under the “Direct Labor” line item.
9. The “Director Labor” line item includes payroll taxes. It does not include owner compensation.
10. In the fiscal year ending December 31, 2022, the line item “Food Purchases” was introduced. In the fiscal years ending December 31, 2021 and December 31, 2020, “Food Purchases” were accounted for under “Product Purchases.”



11. The Milwaukee Facility was the only Facility that incurred veterinarian fees on behalf of clients in the last 3 fiscal years.

12. We reserve the right to increase the Brand Development Fee to 2% of Gross Sales.

13. We reserve the right to increase the Technology Fee to \$400 per month and to increase the \$400 maximum Technology Fee by 10% annually.

Other than the shared salary of the lead dog trainer as noted above, the characteristics of the represented franchisee operations do not materially differ from that of a new franchisee.

The financial performance representations in the Tables are historic information and not a forecast of future financial performance. The financial information we utilized in preparing the preceding financial performance representations was based on our unaudited financial statements of our affiliates Pet University, LLC, Pet University 2, LLC, and Pet University 3, LLC ended December 31, 2022, December 31, 2021, and December 31, 2020. None of this information was audited by us or by any independent accountant or auditing firm, and no one had audited, reviewed or otherwise evaluated this information for accuracy or expressed his/her opinion with regard to its content or form.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, PetU Franchising Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Angela Trzcinski, 8200 S. 68<sup>th</sup> St., Franklin, Wisconsin 53132, (414) 412-1496, the Federal Trade Commission, and the appropriate state regulatory agencies.

*The remainder of this page has been left blank intentionally.*

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary\***  
**For calendar years 2020, 2021 and 2022**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Affiliate-Owned	2020	3	3	0
	2021	3	3	0
	2022	3	3	0
Total Outlets	2020	3	3	0
	2021	3	3	0
	2022	3	3	0

\*We are offering franchises for the first time under this Franchise Disclosure Document, so we do not have any franchisees as of the date of this Franchise Disclosure Document.

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)\***  
**For calendar years 2020, 2021 and 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Total	2020	0
	2021	0
	2022	0

\*We are offering franchises for the first time under this Franchise Disclosure Document, so we do not have any franchisees as of the date of this Franchise Disclosure Document.

**Table No. 3**  
**Status of Franchised Outlets\***  
**For calendar years 2020, 2021 and 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations Other Reasons</b>	<b>Outlets at End of the Year</b>
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

\*We are offering franchises for the first time under this Franchise Disclosure Document, so we do not have any franchisees as of the date of this Franchise Disclosure Document.

**Table No. 4**  
**Status of Affiliate-Owned Outlets**  
**For calendar years 2020, 2021 and 2022**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Wisconsin	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Totals	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3

**Table No. 5**

<b>PROJECTED OPENINGS</b> as of July 31, 2023			
STATE	FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPEN	PROJECTED FRANCHISED NEW UNITS IN THE NEXT FISCAL YEAR	PROJECTED OPENINGS BY US OR OUR AFFILIATE IN NEXT FISCAL YEAR
Wisconsin	0	3	0
TOTAL	0	3	0

Our affiliates Pet University, LLC, Pet University 2, LLC, Pet University 3, LLC own three PetU facilities operating under the name PetU in Milwaukee, Wisconsin, Racine, Wisconsin, and Mequon, Wisconsin, respectively. Since we are offering franchises for the first time under this disclosure document, we have not yet granted any franchises. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the system.

There are currently no current or former franchisees who have signed agreements restricting their ability to speak openly about their experience with us.

There are currently no trademark-specific franchise organizations associated with the franchise system being offered.

*The remainder of this page has been left blank intentionally.*

**Item 21**  
**FINANCIAL STATEMENTS**

Attached at Exhibit D is the unaudited beginning balance sheet of PETU FRANCHISING, INC. as of July 31, 2023. Since we have only been in operation since July 2023, we cannot provide 3 years of audited financial statements.

**Item 22**  
**CONTRACTS**

The Franchise Agreement and Guaranty and Assumption of Obligations (and other exhibits) that you will sign is attached at Exhibit B to this Disclosure Document. If your state requires an addendum to the Franchise Agreement describing certain state laws or regulations which may supersede the Franchise Agreement, it will be found at Exhibit G.

If you are purchasing two or more PetU Franchised Businesses, The Multi-Unit Development Agreement (and other exhibits) that you will sign is attached at Exhibit F to this Disclosure Document. If your state requires an addendum to the Multi-Unit Development Agreement describing certain state laws or regulations which may supersede the Multi-Unit Development Agreement, it will be found at Exhibit G.

Before signing the Franchise Agreement, you must complete and sign a Franchise Disclosure Acknowledgement Statement, a copy of which is attached to this Franchise Disclosure Document as Exhibit C. The purpose of this Statement is to indicate your receipt of various documents that you may have received from us in connection with your purchase of a PetU Franchised Business.

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

**Item 23**  
**RECEIPTS**

The Receipts of the Disclosure Document (one copy for you and one copy for us) are found at the end of the exhibits to this Disclosure Document.

## Exhibit A

### LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

#### California

Commissioner  
California Department of Financial Protection  
and Innovation  
320 West Fourth Street  
Los Angeles, CA 90013-2344  
(866) 275-2677

For service of process:  
Commissioner  
Department of Financial Protection and Innovation  
320 West Fourth Street  
Los Angeles, CA 90013-2344

#### Hawaii

Hawaii Commissioner of Securities  
Department of Commerce and  
Consumer Affairs  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808)586-2722

For service of process:

Hawaii Commissioner of Securities  
335 Merchant Street, Room 203  
Honolulu, HI 96813

#### Illinois

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706  
(217)782-4465

For service of process:

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

#### Indiana

Securities Commissioner  
State of Indiana  
Securities Division  
302 W. Washington Street, Room E-111  
Indianapolis, IN 46204  
(317)232-6681

For service of process:

Secretary of State  
201 State House  
Indianapolis, IN 46204

#### Maryland

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

For service of process:

Maryland Securities Commissioner  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202

Michigan

Consumer Protection Division  
Franchise Section  
Michigan Department of Attorney General  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, MI 48913  
(517)373-7117

For service of process:

Michigan Department of Commerce  
Corporations and Securities Bureau  
525 W. Ottawa Street  
G. Mennen Williams Building  
Lansing, MI 48913

Minnesota

Commissioner of Commerce  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101  
(651)539-1500

For service of process:

Minnesota Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101

New York

New York State Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10271  
(212)416-8236

For service of process:

New York Department of State  
One Commerce Plaza, 6<sup>th</sup> Floor  
99 Washington Street  
Albany, NY 12231

North Dakota

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor, Dept. 414  
Bismarck, ND 58505-0510  
(701)328-4712

For service of process:

North Dakota Securities Commissioner  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor, Dept. 414  
Bismarck, ND 58505-0510

Rhode Island

Principal Securities Examiner  
Division of Securities  
1511 Pontiac Avenue  
John O. Pastore Complex – Bldg. 69-1  
Cranston, RI 02920  
(401)462-9527

For service of process:

Director of Rhode Island Department of  
Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex – Bldg. 69-1  
Cranston, RI 02920

South Dakota

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

For service of process:  
Director  
Department of Labor and Regulation  
South Dakota Division of Insurance  
124 South Euclid, Suite 104  
Pierre, SD 57501

Virginia

Director, Division of Securities  
and Retail Franchising  
State Corporation Commission  
1300 E. Main Street, 9th Floor  
Richmond, VA 23219  
(804)371-9051

For service of process:  
Clerk of the State  
Corporation Commission  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

Washington

Administrator  
Dept. of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, WA 98507-9033  
(360)902-8760

For service of process:  
Director  
Washington Dept. of Financial  
Institutions, Securities Division  
210 11<sup>th</sup> St. SW  
Olympia, WA 98504

Wisconsin

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
P.O. Box 1768  
Madison, WI 53701-9033  
(608)266-8559

For service of process:  
Wisconsin Commissioner of Securities  
201 W. Washington, Suite 300  
Madison, WI 53703

**Exhibit B**

**FRANCHISE AGREEMENT**





FRANCHISE AGREEMENT

PETU FRANCHISING, INC.

with

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## TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. INTRODUCTION .....	1
2. GRANT OF FRANCHISE .....	2
3. SUCCESSOR FRANCHISES.....	4
4. BUSINESS DEVELOPMENT AND OPENING .....	5
5. TRAINING AND OPERATING ASSISTANCE.....	9
6. MARKS .....	13
7. CONFIDENTIAL INFORMATION; NON-COMPETITION.....	17
8. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION .....	18
9. INITIAL AND CONTINUING FEES .....	20
10. IMAGE AND OPERATING STANDARDS .....	22
11. MARKETING .....	30
12. RECORDS AND REPORTS .....	32
13. ASSIGNMENT.....	34
14. TERMINATION OF THE FRANCHISE.....	37
15. RIGHTS OF THE COMPANY AND OBLIGATIONS OF FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.....	41
16. POST-TERM COVENANT NOT TO COMPETE.....	44
17. ENFORCEMENT.....	45
18. NOTICES AND PAYMENTS.....	51

- EXHIBIT 1: Location and Territory
- EXHIBIT 2: Guaranty and Assumption of Obligations
- EXHIBIT 3: Conditional Assignment of Telephone Number and Digital Marketing Accounts
- EXHIBIT 4: Collateral Assignment of Lease
- EXHIBIT 5: Electronic Funds Transfer Authorization
- EXHIBIT 6: Statement of Ownership

**PETU FRANCHISING, INC.**  
**FRANCHISE AGREEMENT**

THIS AGREEMENT is being entered into between you, \_\_\_\_\_, a \_\_\_\_\_ organized under the laws of \_\_\_\_\_, as franchisee, and us, PETU FRANCHISING, INC., a corporation organized under the laws of Wisconsin with our principal place of business at 8200 S. 68<sup>th</sup> St., Franklin, Wisconsin 53132 and, if you are an entity, your "Owners" (defined below).

**1. INTRODUCTION.**

This Agreement has been written in an informal style in order to make it more easily readable and to be sure that you become thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. In this Agreement, we refer to PETU FRANCHISING, INC. as "we," "us" or the "Company." We refer to you as "you" or "Franchisee." Certain provisions of this Agreement are applicable to your shareholders, members or other owners of Franchisee on whose business skill, financial capability and personal character we are relying in entering into this Agreement. Those individuals will be referred to in this Agreement as "Owners."

Through the expenditure of considerable time, effort and money, we and our affiliates Pet University, LLC, Pet University 2, LLC and Pet University 3, LLC ("Affiliates") have developed a unique system for the establishment and operation of a business that offers dog daycare, enrichment, cardio workouts, boarding, bathing, nail trimming, teeth brushing, ear cleaning and dog training services and a wide range of retail products under the names "PetU K9 Higher Education" and "PetU" which is referred to in this Agreement as the "PetU Business." The PetU Business provides dog daycare, enrichment, cardio workouts, boarding, bathing, nail trimming, teeth brushing, ear cleaning, dog training services and sale of a wide range of retail products at a facility ("Facility") and at customers' homes ("Customers' Homes"). The PetU Business operates under uniform formats, designs, systems, methods, formulas, specifications, standards, policies and procedures, including certain confidential information and trade secrets (all of which we refer to in this Agreement as the "System"). We and our Affiliates may improve, further develop or otherwise modify the System from time to time. We identify the System by the use of certain trademarks, service marks, logos, trade name, domain names and other commercial symbols we designate from time to time, currently including "PetU", "PetU K9 Higher Education," the PetU K9 Higher Education logo and certain associated designs, artwork and logos, owned by our Affiliates and licensed to us (collectively, the "Marks").

We grant to franchisees whose Owners meet our qualifications and who are willing to undertake the investment and effort necessary to establish and develop a PetU Business, a franchise to own and operate a PetU Business in accordance with the System.

This Agreement is being presented to you because of the desire you have expressed to obtain the right to develop, own and be franchised to operate a PetU Business. In signing this Agreement, you acknowledge that you understand the importance of the Company's high standards of quality and

service and the necessity of operating your PetU Business in strict conformity with the Company's standards and specifications. You further represent to us, as an inducement to our agreeing to enter into this Agreement, that you and your Owners have made no misrepresentations in applying for or obtaining the franchise. You acknowledge that in all our dealings, all of our officers, directors, managers, employees and agents act only in a representative capacity, not in an individual capacity.

## **2. GRANT OF FRANCHISE.**

**A. Term.** Subject to the provisions of this Agreement, we grant to you a franchise to own and operate a PetU Business at one location approved by us, and to use the System in the operation of the PetU Business for a term of ten (10) years beginning on the date of this Agreement, unless this Agreement terminates before the end of such term as provided in Section 14. When the exact location for the Facility for the PetU Business is determined, the parties will complete Exhibit 1 to this Agreement. Termination or expiration of this Agreement will constitute a termination or expiration of the Franchise. (All references to the "term" of this Agreement refer to the period from the date of this Agreement to the date on which this Agreement actually terminates or expires. All references in this Agreement to section and paragraph numbers refer to the sections and paragraphs of this Agreement unless otherwise stated.)

**B. Full Term Performance.** You specifically agree to, for the full term of this Agreement, operate the Facility at the location identified in Exhibit 1 and at other authorized locations in the Territory identified in Exhibit 1, perform the obligations of this Agreement, and continuously exert your best efforts to promote and increase the sales and services of the PetU Business within the Territory, and to effect the widest and best possible distribution of the sale of PetU services and related products and to solicit potential customers for PetU services and related products within the Territory.

**C. Rights to Territory.** As long as this Agreement is in force and effect and you are not in default under any of the terms of this Agreement and subject to the rights reserved by Company in Paragraph 2.D. below, Company will not grant another PetU Business franchise or operate itself or through an affiliate any other PetU Business (except for Captive Market Locations, as defined in Paragraph 2.D.5. below) within the area described in Exhibit 1 ("Territory"). Company has the right to, outside of the Territory, grant such other PetU Businesses or itself establish PetU Businesses as it, in its sole and exclusive discretion, deems appropriate.

**D. Company's Reservation of Rights.** Company and any affiliates reserve the right, both within and outside of the Territory to:

1. offer and sell service and products which comprise, may in the future comprise or which do not comprise, a part of the System through any alternative distribution channels including, but not limited the Internet or similar electronic media, using the Marks ("Alternate Distribution Channels");

2. establish businesses which are franchised, licensed or owned by Company or any affiliate in any area as we deem appropriate or offer and sell services or products which are similar

to the services and products offered under the System under trade names, trademarks, service marks, trade dress or other commercial symbols different from the Marks;

3. acquire or be acquired by a company establishing businesses identical or similar to the PetU Business, even if the other business operates, franchises, and/or licenses competitive businesses anywhere;

4. service a national account located within your Territory, either ourselves or through an affiliate or another PetU, if you are not participating in any national account program the Company establishes;

5. establish and operate, and allow others to establish and operate, other Facilities and other businesses using the Marks or the Franchise System, at Captive Market Locations. "Captive Market Locations" are airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store, hotels, or other similar types of locations that have a restricted trade area located within the geographic boundaries of the Territory; and

6. engage in any other business activities not expressly prohibited by this Agreement.

**E. Alternate Distribution Channels.** You shall not sell any services or products offered for sale under the System through any Alternative Distribution Channels.

**F. Limitations on Customers' Homes Outside Territory.** You may only conduct dog training at Customers' Homes outside of your Territory if the Customers' Homes are located in an area that is not part of a territory granted to another franchisee of ours. Once a franchise is granted for any area in which you are using Customers' Homes outside of your Territory and the new franchisee has completed initial training, you must cease conducting dog training in the new franchisee's Territory as soon as the currently scheduled dog trainings end. You further agree to provide such information and assistance to the new franchisee as is reasonably necessary in order to increase the likelihood that the new franchisee will be able to continue using such Customers' Homes and be able to retain those customers in the future. If you conduct dog training outside of your Territory in the territory of another franchisee in violation of this Paragraph 2.F., you will be assessed a fine of fifty percent (50%) of revenues per dog training conducted, due upon demand. This fine is in addition to any and all other remedies available to the Company for your breach of this provision.

### **3. SUCCESSOR FRANCHISE.**

**A. Franchisee's Right to Acquire a Successor Franchise.** Subject to the provisions of Paragraphs 3.B. and 3.C. below, and if during the entire term of this Agreement you have substantially complied with all of the provisions of this Agreement and any other agreement between us, then upon

expiration of the initial term of this Agreement, you will have the right to enter into a Successor Franchise Agreement for one (1) additional term of ten (10) years.

**B. Notice of Successor Franchise Election.** You must give us written notice of your election to acquire a successor franchise at least nine (9) months but not more than twelve (12) months before the end of the initial term of this Agreement. Within sixty (60) days of our receipt of your notice, we agree to give you written notice of whether you have met the conditions for to acquire a successor franchise and any deficiencies in your operation or historical performance of your PetU Business which could cause us not to grant you a successor franchise. If you have not met the conditions and deficiencies exist, our notice will state what actions, if any, you must take to correct the deficiencies in the operation of your PetU Business and will specify the time period in which those deficiencies must be corrected. Our approval of a successor franchise will be conditioned on your continued compliance with all the terms and conditions of this Agreement up to the date of expiration and timely correction of any deficiencies. If we send a notice that we have decided not to grant you a successor franchise it will state the reasons for our refusal to grant you a successor franchise. If we do not give you a deficiency notice within sixty (60) days after receipt of your notice of election to acquire a successor franchise, or if we do not give you notice of our decision not to grant you a successor franchises six (6) months before the expiration of the term of this Agreement, we may extend the term of this Agreement for any period of time necessary in order to provide you reasonable time to cure the deficiencies or to provide the six (6) month notice of the decision not to grant a successor franchise required under this Agreement.

**C. Successor Franchise Agreements/Releases.** To acquire a successor franchise, you (and your Owners) and the Company must:

(1) at our option, either execute an extension of this Agreement or execute the then current form of standard franchise agreement (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise), which agreement will replace this Agreement in all respects and which may contain different (including higher) royalty fees, brand development fund contributions and other fees, different territorial protections, and other provisions that differ from those contained in this Agreement, and such ancillary agreements as Company is then customarily using in the grant or renewal of franchises for the ownership and operation of a PetU Business, including guarantees from all owners of the franchisee;

(2) comply with our then-current qualification and training requirements for successor franchises;

(3) upgrade the Facility, furniture, fixtures, equipment, signs and materials in accordance with our then-current standards and specifications;

(4) execute a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, and our respective members, managers, officers, employees and agents; and

(5) pay a successor franchise fee of Five Thousand Dollars (\$5,000.00) when you execute the Successor Franchise Agreement to cover our costs in connection with your acquisition of a successor franchise.

If either you or any of your Owners refuse to sign the required agreement(s), guarantees and/or releases within thirty (30) days after their delivery to you, you will be deemed to have elected not acquire a successor franchise.

**D. Continued Operation Following Expiration.** You have no right to continue to operate the PetU Business after the expiration of the initial term of this Agreement unless you are granted a Successor Franchise in accordance with this Section 3. If we permit you to continue to operate the PetU Business after the expiration of the initial term of this Agreement but before the execution of a successor Franchise Agreement as required by Paragraph 3.C., then the temporary continuation of the PetU Business will be on a month-to-month basis, and will be terminable at the will of Company by giving you written notice of termination at least thirty (30) days before the termination is effective. If the laws of the jurisdiction in which you or the PetU Business are located require a longer notice period, the thirty-day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction.

#### **4. BUSINESS DEVELOPMENT AND OPENING**

**A. Ownership of Franchisee.** Prior to the opening of the PetU Business, any individual signing as franchisee shall establish a corporation, limited liability company, general partnership or limited partnership (“Entity”), to own and operate the PetU Business and shall assign this Agreement to the Entity. Franchisee’s owners, shareholders, officers, directors, members, managers and partners (or persons holding comparable positions in non-corporate entities) shall be referred to herein as “Principals”. Franchisee must complete and update throughout the Term, as necessary, the “Statement of Ownership” attached as Exhibit 6, and:

(1) All persons who own any interest in the Entity must guaranty your performance under this Agreement by signing the “Guaranty and Assumption of Franchisee’s Obligations” attached as Exhibit 2;

(2) You shall provide us a resolution signed by all shareholders, directors, members, managers or partners, as appropriate, designating the principal contact for the Entity and Franchisee. This principal contact must be a controlling shareholder, managing member or general partner. This representative shall have the authority to speak for and bind Franchisee in all matters pertaining to this Agreement, and all matters regarding the PetU Business;

(3) You shall designate one owner of the entity having a majority ownership interest who will be the Operating Owner for the PetU Business and will devote reasonable time and best efforts to the management of the PetU Business (“Operating Owner”). The Operating Owner must successfully complete our initial training program. You shall give us immediate notice of any change in the Operating Owner and must arrange for the new Operating Owner to attend our initial



training program. The Operating Owner may also be the designated manager providing the direct full-time on-site supervision of the operation of the PetU Business.

(4) The Entity shall engage in no other business than the operation of the PetU Business unless we approve such other business in writing. We may, in its sole discretion, for any reason, elect to withhold approval;

(5) You must furnish us, upon execution or any subsequent transfer of this Agreement, a copy of your articles of incorporation, articles of organization, bylaws, operating agreement, partnership agreement or equivalent governing document, as applicable, and shall thereafter promptly furnish us with a copy of any and all amendments or modifications thereto;

(6) You shall promptly furnish us, on a regular basis, with certified copies of such Entity records material to the PetU Business as we may require from time to time in the Manual or otherwise in writing; and

(7) You shall maintain transfer restrictions on its records, of any securities with voting rights, subject to the restrictions of this Agreement, and each certificate representing ownership or equity interests in the Entity, shall have conspicuously endorsed upon it the following legend:

The transfer of this *[stock/membership interest/ownership interest]* is subject to the terms and conditions of a PetU Franchise Agreement with PetU dated\_. Reference is made to the provisions of said Franchise Agreement and to the governing documents of *[name of Franchisee Entity]*.

**B. Facility Location and Company's Approval.** You are responsible for acquiring a suitable location for the operation of your PetU Business that is approved by us (“Facility”). We may in our discretion provide site selection assistance to you; however, it shall be your sole responsibility to locate and secure a location for the Facility approved by us. Prior to entering into a lease to acquire a site, you must submit to us a site evaluation form for the proposed site, together with a letter of intent, proposed lease or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site. We will provide you written notice of approval or disapproval of the proposed site within thirty (30) days after receiving your written proposal and required documents. While we will use our experience in providing any assistance to you regarding site selection and in granting approval of a site, nothing contained herein shall be interpreted as a guarantee of success for said location as a PetU Business.

We reserve the right to require an on-site evaluation of your proposed site for your Facility (“On-site Site Evaluation”). If we require or you request that we conduct an On-site Site Evaluation, we will, at your expense, send one of our representatives to your Territory. We, in our discretion, will determine when the On-Site Site Evaluation will take place and how long it will last. You shall pay us One Thousand Five Hundred Dollars (\$1,500.00) per visit for such On-site Site Evaluation.

You must have obtained our written approval of a proposed location and have secured the approved site for the Premises by execution of a lease within six (6) months of the date of this Agreement. We have the unilateral right (but not the obligation) to terminate the Agreement upon delivery of notice to you if you have not signed a lease for a location approved by us for your PetU Business within six (6) months of the date of this Agreement.

**C. Lease of Premises.** Any lease for the approved location must be approved by us before it is executed by you and we can require that certain terms and provisions be included in the lease. Our approval of the lease shall be conditioned upon: (i) collateral assignment of the lease by you to us with the lessor’s consent, by execution of the Collateral Assignment of Lease and Consent to Assignment attached hereto as Exhibit 4 (the assignment may be exercised only upon your default under the lease or this Agreement or the expiration or termination of this Agreement); and (ii) inclusion in the lease of terms required by us, including but not limited to the following: (i) have a term, with initial and renewal terms, at least equal to the initial term of this Agreement; (ii) provides that the lessor shall give written notice to us (concurrently with you) of any default by you under the lease, and will give us an additional fifteen (15) days to cure any default not cured by you during the cure period and assign the lease to us if defaults are cured by us; (iii) permits the use on the lease premises of all signs required by us for PetU franchises, subject to applicable local laws, codes and ordinances; (iv) provides that on expiration or termination of your Franchise Agreement, we may enter the leased premises and remove all signs, sign-faces and other items identifying Marks; (v) provides that the Premises will only be used for the operation of a PetU Facility; and (vi) provides that the lessor will not lease other premises in the same building or shopping center to a competing business.

**D. Build-Out Specifications** We will furnish plans and specifications reflecting our requirements for interior layout, design, decoration, fixtures, furniture, equipment, and signs for PetU Facilities. It is your responsibility to comply with all applicable ordinances, building codes, permit requirements, lease requirements and restrictions applicable to the leased premises. You must advise us of any required variation from our plans and specifications and obtain our approval of same before build-out of the leased premises begins.

**E. Development of the Facility.** You agree at your own expense to do the following: (1) secure all financing required to construct and fully develop the PetU Facility; (2) obtain all required building, utility, sign, and business permits and licenses and any other required permits and licenses; (3) construct the PetU Facility in compliance with Section 4; (4) decorate the PetU Facility in compliance with plans and specifications we have approved; (5) purchase and install all required fixtures, furniture, equipment, and signs; and (6) purchase an opening inventory of required products, materials and supplies.

**F. Fixtures, Furniture, Equipment and Signs.** You agree to purchase and install, at your expense, all fixtures, furniture, equipment (including required computer systems) and signs we may direct from time to time and to purchase and use in the development and operation of the Facility only fixtures, furniture, equipment and signs from approved suppliers and/or that meet our standards and specifications.

**G. Business Opening.** You agree not to open your PetU Business for business until: (1) your obligations under this Section 4 have been fulfilled; (2) your Operating Owner, Designated Manager, and Lead Dog Trainer have completed the initial training program to our satisfaction; (3) you have furnished us with evidence of insurance coverage required by Paragraph 10.K.; (4) you have furnished us with evidence that you have met all licensing requirements applicable to the PetU Business; (5) you have established an entity to operate the PetU Business; and (6) we have provided you with written consent to open. You must complete the business opening requirements set forth herein and commence operation of your PetU Business within eleven (11) months from the date of execution of this Agreement.

**H. Relocation.**

(1) If your lease for the Facility is terminated and such termination is not your fault, or the lease expires without any possibility of renewal on commercially reasonable terms as we determine, or if in our combined judgment there is a change in the character of the Facility sufficiently detrimental to its business potential to warrant its relocation, we shall grant permission for relocation of the PetU Business to a location approved by us. You must obtain our written authorization, in our sole discretion, of the specific date that the PetU Business may open. In the event of relocation, the parties will enter into an agreement which will set forth the new location for your PetU Business and a deadline by which Franchisee must open for business at the new location, after which time you will be obligated to resume paying the royalty and Brand Development Fund Contributions whether or not the new location has opened for business. Until such time that the new location is open for business, the amount of the royalty and Brand Development Fund Contribution will be based on the Franchisee's average weekly level of Gross Revenues during the one-year period prior to closing the first PetU Business. Any such relocation shall be at your sole expense, and shall not be undertaken without our prior written consent. You shall pay us a relocation fee in the amount of thirty percent (30%) of the then-current Initial Franchise Fee to cover our services and associated costs in connection with such relocation, including those related to (i) reviewing and approving the new location and the construction drawings for the PetU Business at its new location and (ii) providing additional on-site training and assistance. You shall pay fifty percent (50%) of the relocation fee when we grant the approval to relocate and the balance of the relocation fee upon our acceptance of the new location for the PetU Business.

(2) We shall also have the right to require you to upgrade the relocated PetU Business to conform to our then current image, standards, and specifications for construction and equipment for all new PetU Businesses.

(3) In the event of a relocation of the PetU Business, you shall promptly remove from the former PetU Business premises any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery, supplies, forms and other articles which display any of the Marks and distinctive features or designs associated with the System. Any articles which display any of the Marks or any distinctive features or designs associated with the System which you do not use at the new PetU Business location shall be disposed of by as we direct following notice to us to the effect such articles will not be used at the new PetU Business. Furthermore, you shall, at your expense, immediately make such modifications or alterations as may be necessary to distinguish the former PetU Business premises so clearly from its former appearance and from other PetU Business so to prevent any possibility of confusion by the public (including, without limitation, removal of all distinctive physical and structural features identifying the PetU Business and removal of all distinctive signs and emblems). You shall, at your expense, make such specific additional changes as we may reasonably request for this purpose. If you fail to initiate immediately or complete such alterations within such period of time as we deem appropriate, you agree that we or our designated agents may enter the premises of the former PetU Business and adjacent areas at any time to make such alterations as we deem appropriate to distinguish your former PetU Business premises, without liability for trespass. You expressly acknowledge that failure to make such alterations will cause irreparable injury to Company and hereby consent to entry, at your expense, of any ex parte order by any court of competent jurisdiction authorizing Company or its agents to take such action, if Company seeks such an order. Compliance with the foregoing shall be a condition subsequent to our approval of any relocation request, and in the event complete de-identification of the former PetU Business premises is not properly and completely undertaken, we may then revoke its permission for relocation and declare a default under this Agreement.

(4) In the event you lose possession of the PetU Business for whatever reason prior to the expiration of the term of this Agreement, you are required to diligently search for a new location and open and operate the PetU Business as promptly as commercially practicable. In the event you fail to diligently pursue a new location and open a new PetU Business, you shall be liable to Company for Liquidated Damages as provided herein.

I. **Customers' Homes.** You will be responsible for evaluating the suitability of Customers' Homes for offering PetU services beyond the Facility. You will be responsible for ensuring that each Customer's Home meets our then current guidelines, standards and specifications, if applicable.

## **5. TRAINING AND OPERATING ASSISTANCE.**

A. **Training Generally.** Before you open for business, and from time to time thereafter, we will make available to you various mandatory and optional training programs. Franchisee must timely complete all mandatory training as set forth in this Article 5. You acknowledge that, as the owner of the PetU Business, you are responsible for the training of your employees.

**B. Pre-Training; Initial Training.** No later than three (3) weeks and no earlier than seven (7) weeks prior to the opening of the PetU business, we will furnish, and your Operating Owner and Designated Manager must attend and complete to our satisfaction, an initial training program of approximately twenty-five (25) days, the first approximately fifteen (15) days covering the operation of a PetU Business and the last approximately ten (10) days covering dog training. In preparation for the Initial Training, your Operating Owner and Designated Manager must complete pre-training materials and training programs sent to you by the Company before attending the initial training program. Additionally, your Lead Dog Trainer must attend and complete to our satisfaction, the dog training program of approximately ten (10) days. We, in our discretion, will determine when the initial training will take place, where it will take place, and how long it will last. The total days of initial training provided may vary dependent upon the prior experience of the attendees and other factors. Up to three (3) individuals will be provided training for the Initial Franchise Fee. If you send additional people to the initial training program, you must pay the current per diem fee for such training and scheduling will be based on available space.

If, during the initial training program, we determine, in our sole discretion, that your Operating Owner, Designated Manager or Lead Dog Trainer are not qualified to manage or lead dog training for a PetU Business, we have the right to require your Operating Owner, Designated Manager or Lead Dog Trainer to attend and successfully complete additional training for an additional fee and/or to terminate this Agreement, effective upon delivery of written notice thereof to you. Upon such termination, you must return any and all manuals and other proprietary materials delivered to you prior to and during training.

We reserve the right in our sole discretion to require that all additional or replacement Designated Managers and Lead Dog Trainers attend and successfully complete the initial training program. If we require that additional or replacement Designated Managers or Lead Dog Trainers attend the initial training program, you must pay the current per diem fee for such training. If we do not require but you desire to send additional or replacement Designated Manager or Lead Dog Trainers to our initial training program, you must pay the current per diem fee for such training and scheduling will be based on available space.

You will be solely responsible for all expenses, including, without limitation, travel, room, board, transportation expenses, and wages, incurred by your attendees in connection with attending any initial training program.

**C. On-Site Start-Up Assistance.** Within the first 45 days of the opening of your PetU Business, we will send one of our representatives to your Territory to provide on-site opening assistance at the Facility for up to three (3) days. We, in our discretion, will determine when the on-site assistance and training will take place and how long it will last. If you request or we require, in our sole discretion, additional on-site start-up assistance, you shall pay us our then-current daily fee for such on-site assistance, and you will be responsible for all expenses, including, without limitation, travel, room, and board, incurred by our representative in traveling to your Territory.

**D. Supplemental Education.** We may from time to time provide, and may require, that previously-trained and experienced Owners, Designated Managers, and Lead Dog Trainers attend and successfully complete supplemental training, seminars, programs, regional franchise meetings, teleconferences or webinars to be conducted at locations designated by us. You will be solely responsible for all expenses, including, without limitation, travel, room, board, transportation expenses, and wages, incurred by your Owners, Designated Managers, and Lead Dog Trainers in connection with attending any supplemental training programs.

**E. Conferences and Conventions.** We reserve the right to hold and require all franchisees and designated managers to attend national, regional or local conferences for PetU franchisees to discuss updates to products, services, methods, operational standards, policies and procedures, and marketing and advertising. If we hold such conferences, you and your Designated Managers may be required to attend any conference for which we determine attendance is mandatory. We may charge you a fee to attend the conference (“Conference Registration Fee”). If you fail to attend any conference held during the term of this Agreement for which attendance is mandatory, you remain obligated to pay the Conference Registration Fee. You will be solely responsible for any costs or expenses associated with your and your employees’ attendance of such conferences. You acknowledge that your failure to attend two (2) or more conferences contemplated in this Paragraph 5.E. or supplemental education as contemplated in Paragraph 5.D. above during the term is a material default under this agreement.

**F. Operating Assistance.** We will furnish you with such ongoing guidance and assistance in connection with the operation of your PetU Business as we from time to time deem appropriate. Operating assistance may consist of advice and guidance with respect to: (1) sale of services and products authorized for sale and the specifications, standards, methods and operating procedures used by PetU Businesses; (2) prices for the services and products offered for sale at the PetU Business which in our judgment constitute good business practice; however, such advice or guidance shall not be deemed or construed to impose upon you any obligation to charge any fixed, minimum or maximum prices for any service or product offered for sale by your PetU Business except as permitted by law; (3) any changes in the services and products authorized for sale by the PetU Business; (4) purchasing furniture, fixtures, equipment, signs, computer systems, and supplies; (5) developing and implementing advertising and promotional programs; (6) administrative, bookkeeping, accounting, sales and general operating procedures for the proper operation of a PetU Business; (7) establishing and conducting employee training programs at a PetU Business; and (8) changes in any of the above that occur from time to time. We may advise you from time to time of operating problems of your PetU Business disclosed by reports submitted to or inspections made by us.

This guidance will, in our sole discretion, be furnished in the form of the Company's Operations Manual or other written materials, webinars, telephone consultations, electronic communication, and/or consultations at the offices of the Company or at the Facility for your PetU Business

**G. Additional Operating Assistance.** At your request, we may provide you, at our discretion, additional guidance and assistance at your PetU Business by a representative of the Company. In the event that you are not operating your PetU Business in compliance with the standards, specifications and operating procedures set forth in this Agreement or in the Operations Manual, we may require additional training for your Operating Owner, Designated Managers and Lead Trainers at either the Facility of your PetU Business or other location we designate. In either event, we will charge you the then-current per diem fees for such additional training and assistance and travel expenses for our representative who conducts such training and assistance at your Facility.

**H. Operations Manual.** We will grant you access during the term of the franchise to the Operations Manual, which may consist of one or more manuals for the PetU Business, and will be provided to you by secure access on a web platform or franchise intranet (collectively referred to as the "Operations Manual"). The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures and policies which we prescribe from time to time for the PetU Business, as well as information relative to other obligations you have in the operation of your PetU Business and under this Agreement. We have the right to add to, and otherwise modify, the Operations Manual from time to time to reflect changes in, additions to and deletions from authorized services and products, specifications, standards and operating procedures, policies and other obligations in operating a PetU Business under this Agreement. Revisions to the Operations Manual will be deemed effective immediately, unless we specify a later effective date for a particular revision. The master copy of the Operations Manual that we maintain online will be controlling, in the event a dispute develops with respect to the contents of the Operations Manual. You agree that you will not at any time copy any part of the Operations Manual, permit any part of it to be copied, disclose it to anyone other than employees having a need to know its contents for purposes of operating your PetU Business, or give anyone other than employees having a need to know its contents for purposes of operating your PetU Business access to the Operations Manual without our prior written consent.

**I. National Accounts.** We may, but are not obligated to, develop various National Accounts under a National Accounts Program. We, in our discretion, shall determine the best method of pursuing, negotiating with and servicing National Accounts, and shall establish the terms for each National Account contract in its sole discretion, based on the needs of the National Account and its customers, the Company, the System and the PetU franchisees. A "National Account" as used herein is a business, institution, governmental agency or other person or entity that either itself or through common ownership, association or independent contractors, has multiple locations in a number of geographic areas that fall within multiple franchise territories, has ongoing demands for services and products that in a number of geographic areas or that exceed the capability of any single franchised business, and/or prefers a single contact in order to control pricing, billing, customer satisfaction, and/or similar requirements.

(1) In order to participate in the National Accounts Program, you must (i) be and remain in compliance under this Agreement, and (ii) comply with our published standards, policies and procedures for participation in the National Accounts Program as they may be modified and supplemented from time to time. Further, in order to provide services to a particular National

Account, you must comply with the requirements of that particular National Account. You shall have the right to decline participation in the National Accounts Program or with respect to a particular National Account.

(2) Regardless of any other provisions of this Agreement, we grant to you no territorial rights of any kind whatsoever in connection with the National Accounts Program. You agree that we and third parties designated by us may solicit prospective National Accounts located within your Territory in order to develop them as National Accounts. Further, in the event that you decline to participate in the National Accounts Program, decline to service any National Account location within your Territory, or are prohibited from providing services to the National Account location within your Territory pursuant to the standards, policies and procedures of the National Accounts Program or the requirements of a particular National Account, Company, its affiliates or designated agents or other PetU franchisees may provide services at National Account locations or to National Account customers located within your Territory without violating your rights to the Territory. You shall not be entitled to any compensation with respect to services provided to any National Account location or customer within your Territory after you have declined to provide such service or you are prohibited to provide such services pursuant to the standards, policies and procedures of the National Accounts Program or the contract with any particular National Account.

(3) If we or our designee will be providing administrative, billing and/or collection services with respect to any National Account, we have the right to charge you a management fee equal to five percent (5%) of Gross Sales from work done pursuant to our National Accounts Program (“National Accounts Management Fee”). For the purposes of this Section 5(I)(3), National Accounts shall also include any Gross Sales that are a result of any lead or any agreement developed by our business development department or any similar group that is part of us or our affiliates or is our designee.

## **6. MARKS.**

**A. Ownership and Goodwill of Marks.** You acknowledge that our Affiliate owns the Marks and that your right to use the Marks which have been licensed to the Company is derived solely from this Agreement and is limited to your operation of your PetU Business pursuant to and in compliance with this Agreement, the System, and all applicable specifications, standards and operating procedures we prescribe from time to time during the term of the franchise. Any unauthorized use of the Marks by you will constitute an infringement of our and our Affiliate’s rights in and to the Marks. You acknowledge and agree that all usage of the Marks by you and any goodwill established by your use of the Marks will inure to the exclusive benefit of us and our Affiliate, and that this Agreement does not confer any goodwill or other interests in the Marks on you (other than the right to operate a PetU Business in compliance with this Agreement).

You must not, at any time during the term of this Agreement or after its termination or expiration do any of the following: (1) make any oral or written representation or admission that any of the Marks is in any way invalid or infringes the rights of any person or is open to any other form



of attack, (2) contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of the Marks, or (3) take any action that derogates, tarnishes or dilutes our claimed rights in and to the Marks.

All provisions of this Agreement applicable to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork and logos we may authorize you to use during the term of this Agreement.

**B. Limitations On Your Use of Marks.** You agree to use the Marks as the sole identification of your PetU Business, except that you must display in the manner we prescribe notices to employees, customers, vendors and other third parties identifying yourself as the independent owner of the PetU Business pursuant to a Franchise Agreement with us. You may not use or register any Mark as part of any entity name or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos and additional trademarks and service marks licensed to you under this Agreement), or in any modified form. You may not apply to register or register any Mark in any forum. You may not use any Mark in connection with the sale of any unauthorized product or service or in any other manner we have not expressly authorized in writing. You agree to display the Marks prominently and in the manner we prescribe in operating your PetU Business, including signs and forms, and in connection with marketing, advertising and promotional materials. You also agree to use only notices of trademark or service mark registrations and copyrights as we specify and to obtain any fictitious or assumed name or "doing business as" registrations that are required under applicable law.

**C. Technology Use and Restrictions.**

(1) The terms Website, Social Media, Mobile Application and Digital Marketing are defined as follows for purposes of this Agreement:

(a) Website. As used in this Agreement, a "website" is a collection of related web pages, including multimedia content, which is accessible via the Internet, that Company or its Affiliates operate or authorize others to operate and that refers to the PetU Businesses, the Marks, Company and/or the System.

(b) Social Media. As used in this Agreement, the phrase "Social Media" means interactive computer-mediated technologies that facilitate the creation and sharing of information, ideas, interests and other forms of expression via virtual communities and networks, such as Facebook, You Tube, LinkedIn, Twitter, Instagram, Pinterest, blogs, or other similar communication methods.

(c) Mobile Application. As used in this Agreement, a "Mobile Application" or Mobile App is a software application designed for use on mobile devices, such as smartphones and tablets, rather than desktop or laptop computers.

(d) Digital Marketing. As used in this Agreement, “Digital Marketing” means the integrated marketing services used to attract, engage and convert customers online. Digital Marketing utilizes multiple channels such as content marketing, influencer marketing, SEO, social media and online advertising to help brands connect with customers.

(2) In connection with any Website, Social Media and/or Digital Marketing, you agree as follows:

(a) You are strictly prohibited from establishing or maintaining any Websites, Social Media accounts or domain names which incorporate any of the Marks, name or initials into its web address. You are prohibited from establishing websites or domain names linking to Company’s websites without our prior written authorization.

(b) We will have the sole right to create, establish, own, and control the PetU Website and any page for your PetU Business linked to the PetU Website.

(c) We will have the sole right to create, establish, own, and monitor all Social Media postings for your PetU Business. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any content creation or maintenance of Social Media for your PetU Business that uses the Marks or is related to your PetU Business. If we do give you written consent to conduct any Social Media, you must do so in compliance with our guidelines, specifications, standards, policies and procedures on Social Media that we may issue from time to time in the Manual or otherwise, and subject to our right to alter or delete postings you make. We reserve the right to designate a third party supplier to conduct all Social Media management.

(d) We will have the sole right to control all aspects of Digital Marketing, including those related to your PetU Business. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or is related to your PetU Business. If we do give you written consent to conduct any Digital Marketing, Franchisee must do so in compliance with our guidelines, specifications, standards, policies or procedures on Digital Marketing that we may issue from time to time in the Manual or otherwise in writing. We reserve the right to designate a third party supplier to conduct all Digital Marketing.

(3) We will have the sole right to develop Mobile Applications using the Marks and relating to the operation of the PetU Business. We may require that you participate and use any Mobile Applications we designate and must do so in compliance with our guidelines, specifications, standards, policies or procedures on Mobile Applications that we may issue from time to time in the Manual or otherwise in writing.

**D. Notification of Infringements and Claims.** You agree to notify us in writing within one (1) week of any apparent or suspected unauthorized use of the Marks, any challenge to the validity of the Marks, any challenge to our Affiliate's ownership of, our right to use or license others to use, or your right to use, the Marks or similar trade names, domain names, trademarks, service marks or trade dress, or any claim by any person of any rights in any Mark or any similar trade name, domain name, trademark, service mark or trade dress of which you may become aware. You agree not to communicate with any person except us or our or our Affiliate's attorneys and your attorneys in connection with any such infringement, challenge or claim. We and our Affiliate have sole discretion to take such action as we deem appropriate and the sole right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding, ICANN Uniform Domain Name Dispute Resolution Policy proceeding or other administrative proceeding, arising out of any infringement, challenge or claim or otherwise relating to any Mark. We and our Affiliate have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. You agree to sign any and all instruments and documents, provide such assistance and take any action that our or our Affiliate's attorneys say are necessary or advisable to protect and maintain our interests in any such litigation, U.S. Patent and Trademark Office proceeding, ICANN Uniform Domain Name Dispute Resolution Policy proceeding or other administrative proceeding related to the Marks or to otherwise protect and maintain our interests in the Marks. COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS.

**E. Discontinuance or Substitution of Marks.** If it becomes advisable at any time, in our or our Affiliate's sole discretion, for your PetU Business to modify or discontinue use of any Mark or for your PetU Business to use one or more additional or substitute trademarks, service marks, trade names or domain names, you agree to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trademarks, service marks, trade dress or domain names, within a reasonable time after our notice to you at your expense. If we require you to modify or discontinue use of any Mark, we and our Affiliate have no obligations or liability to you for your actual expenditures or other costs you incur in order to comply with this obligation.

**F. Right of Inspection.** In order to determine whether you are operating the PetU Business in compliance with this Agreement and the policies, procedures, standards and specifications in the Operations Manual for the protection of the Marks and to ensure that you are properly employing the Marks in the operation of your PetU Business, we or our agents shall have the right to enter and inspect your PetU Business, including but not limited to the Facility, the operations, and the services being performed at the Facility and Customers' Homes, at all reasonable times and without prior notice to you. We have the right to observe the manner in which you are rendering services and conducting your operations, to interview your employees and customers, to take photographs, and to select equipment and supplies for test of content and evaluation purposes to make certain that the equipment and supplies are satisfactory and meet the quality control provisions and performance standards established by us. We shall also have the right to conduct customer

satisfaction surveys. You agree to fully cooperate with our representatives conducting any such inspection.

**7. CONFIDENTIAL INFORMATION; NON-COMPETITION.**

**A. Types of Confidential Information.** We and our Affiliates possess certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, products, and knowledge developed by our Affiliates, us and our franchisees: (1) methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the development, operation, and franchising of the PetU Businesses, including our dog training and behavior modification methods; (2) sources of supply, purchasing, and methods of providing the services and products sold by PetU Businesses; (3) knowledge of sales and profit performance of any one or more the PetU Businesses; (4) knowledge of test programs, concepts or results relating to new services and products; (5) advertising, marketing and promotional programs; (6) equipping of the Facility; (7) the selection and training of the PetU Business managers and other employees; (8) the contents of the Operations Manual or other written materials provided to you; (9) any customized software or proprietary software developed by or for us for the System; and (10) all customer information, lists, data and records. All such information will be referred to in this Agreement as "Confidential Information." We will disclose much of the Confidential Information to you, and will do so in furnishing to you the training programs, the Operations Manual, or other materials in written or electronic form and in providing guidance and assistance to you under this Agreement. In addition, in the course of the operation of the PetU Business and for six (6) months after the termination of this Agreement or election not to acquire a successor franchise, you or your employees may develop ideas, inventions, formulas, concepts, methods, techniques or improvements relating to the System or the PetU Business, you agree to immediately disclose to us any such ideas, inventions, formulas, concepts, methods, techniques or improvements, which we may then authorize you and other the PetU Businesses to use. You will also assure that any corresponding intellectual property rights (including without limitation any rights in utility or design patents, know-how, trade secrets, trademarks, services marks and copyrights) in such ideas, inventions, formulas, concepts, methods, techniques or improvements will be our property and the title and rights to which shall be legally assigned to us immediately in writing by you, the Owners, your managers and/or employees. All of such information developed by you or your employees will be included in the term "Confidential Information," as defined above.

**B. Confidentiality Agreement.** You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of the PetU Business in compliance with this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute misappropriation, an unfair method of competition, a breach of this Agreement and copyright infringement. You acknowledge and agree that the Confidential Information belongs to us, is proprietary information, that also is subject to copyright prosecution, contains trade secrets belonging to us and is disclosed to you or

authorized for your use solely on the condition that you agree, and you therefore do agree, that you and your Owners: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosure to your employees and the use of confidentiality and non-competition agreements, trade secret disclosure forms, exit acknowledgements and other documents in a form that we prescribe with Owners, managers and employees who attend or receive our training and/or have access to the Confidential Information. Upon our request, you must provide us with copies of signed confidentiality and non-competition agreements of any Owners, managers and employees. The restrictions on your disclosure and use of the Confidential Information will not apply to the following: (a) information, processes, or techniques which are generally known and used in the public domain (as long as the availability of this information is not because of a disclosure, whether deliberate or inadvertent, by you or your Owners) and (b) disclosure of the Confidential Information in legal proceedings when you are legally required to disclose it and you have first given us the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially .

**C. In-Term Non-Competition Agreement.** You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure, that such unauthorized disclosure would cause us irreparable harm, and we would be unable to encourage a free exchange of ideas and information among the PetU Businesses if owners of the PetU Businesses were permitted to hold interests in any competitive businesses, as described below. You also acknowledge that we have granted this Franchise Agreement to you in part in consideration of, and in reliance on, your and your Owners' agreement to deal exclusively with us. Therefore, during the term of this Agreement, neither you nor any Owner, nor any member of your or their immediate families, may, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with, any person or legal entity, own, maintain, operate, engage in, consult with, or have any interest (as a disclosed or beneficial owner) in any business which offers products or services which are the same as, or similar to, those offered by a PetU Business (except another the PetU Business operated pursuant to a franchise agreement with us), or any entity which is granting franchises or licenses or entering into joint venture relationships for any business which offers products or services which are the same as, or similar to, those offered by a PetU Business (The ownership of 5% or less of a publicly traded company will not be deemed to be prohibited by this Paragraph). Further, during the term of this Agreement, you shall not divert any customers or prospective customers from your PetU Business to any other business.

## **8. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

**A. Independent Contractor; No Fiduciary Relationship.** It is understood and agreed by both you and the Company that this Agreement does not create a fiduciary relationship between us, that you and the Company are independent contractors and that nothing in this Agreement is intended to make either of us a general or special agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. You agree to conspicuously

identify yourself at the Facility and in all dealings with potential and existing customers, employees, Customers' Homes, suppliers, and others as the owner of an independent PetU Business pursuant to a franchise agreement with us. You further agree to place any notices of independent ownership on your signs, forms, business cards, stationery, advertising and other materials that we may require from time to time.

**B. No Liabilities, No Warranties.** We have not authorized or empowered you to use the Marks except as provided by this Agreement. You agree not use any Mark in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, application for any license or permit, or any other legal obligation, or in any manner that may result in liability to us for any indebtedness or obligation of yours. Except as expressly authorized by this Agreement, neither you nor the Company will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that our relationship is other than that of franchisor and franchisee.

**C. Indemnification; Tax Liability.** We will not be obligated by, or have any liability under, any agreements, representations or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property directly or indirectly arising out of your construction, development and/or operation of your PetU Business, whether or not caused by the negligent or willful action or failure to act on the part of you, the Owners, managers, employees or agents. You must pay when due all taxes, accounts and other indebtedness of every kind you incur in conducting your Apostle Business. We will have no liability for any sales, use, excise, income, gross receipts, property or other taxes, whether levied against you, the PetU Business or your assets, or on us, in connection with the business you conduct, or on any payments you make to us pursuant to this Agreement or any franchise agreement, including but not limited to royalty fees (except for our own income taxes). You agree to indemnify, defend and hold us, our affiliates, and our and our affiliates' shareholders, directors, officers, employees, agents and assignees, harmless against and to reimburse us for: (1) all such obligations, damages, and taxes for which we are held liable and for all costs we reasonably incur in the defense of any such claim brought against us or in any such action in which we are named as a party plus an administrative fee of ten percent (10%); (2) any liability, cost or expense we suffer, sustain or incur arising out of or relating to your development and/or operation of your PetU Business or any of your Owners', managers', employees', or other agents' acts or failure to act in connection therewith; and (3) all cost, expense or loss we incur in enforcing the provisions of this Agreement, in defending our actions taken relating to this Agreement, or resulting from your breach of this Agreement. This indemnification includes without limitation actual and consequential damages, reasonable arbitrators', attorneys', accountants' and expert witness fees (including those for appeal), costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. We have the right to defend any such claim against us. Your indemnification obligations described above will continue in full force and effect after, and notwithstanding, the expiration or termination of this Agreement.

**D. No Employment Relationship.** You expressly acknowledge that Company is not your employer or an employer of any of your employees. In addition, Company is not a joint employer with you. You acknowledge that Company's training, guidance, advice and assistance,

your obligations under this Agreement and the standards, specifications, policies and procedures required by Company under this Agreement and in the Manual are imposed not for the purpose of exercising control over you but rather for the limited purpose of protecting the Marks, System and Confidential Information, goodwill and brand consistency. You shall notify and communicate clearly with your employees in all dealings, including without limitation, employment applications and other employment forms, written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, and other written materials that you (and only you) are their employer and that Company is not their employer. You are solely responsible for the management and supervision of the PetU Business as an independent franchise owner/operator.

## **9. INITIAL AND CONTINUING FEES.**

**A. Initial Franchise Fee.** Upon the execution of this Agreement, you shall pay us an initial franchise fee in the amount of Forty-Two Thousand Dollars (\$42,000.00) in cash in full. In recognition of the expenses we incur in furnishing assistance and services to you and of our lost opportunity to negotiate with others for this Franchise, you agree that the initial franchise fee will be fully earned by us upon execution of this Agreement and will not be refundable under any circumstances.

You will be entitled to a discounted Initial Franchise Fee if you are an honorably discharged veteran (10% discount). \_\_\_\_\_ ***[INITIAL IF APPLICABLE]***

### **B. Royalty Fee.**

1. In further consideration of the rights granted under this Agreement, throughout the term of this Agreement, you agree to pay Company a recurring, non-refundable royalty in the amount of six percent (6%) of Gross Revenues (as defined herein) during the Term, payable weekly (or on such other basis as may be set forth in the Manual or otherwise agreed in writing by Franchisor) calculated on Gross Revenues of the preceding week. Royalty fees shall be paid in the manner set forth in Paragraph 9.E of this Agreement or as otherwise provided for in the Manual ("Royalty Fee").

2. Company reserves the right to collect payment of the royalty fee on a different day of each week or more or less often than weekly.

**C. Brand Development Fund Contribution.** As more fully described in Paragraph 11.A, we maintain and administer an advertising, marketing and promotional fund covering all of our franchisees (the "Brand Development Fund") for such advertising, marketing and promotions as we may deem necessary or appropriate in our sole discretion. You must contribute to the Brand Development Fund an amount up to two percent (2%) of Gross Revenues (as defined below) of your PetU Business. This Brand Development Fund contribution will be payable weekly along with the royalty fee as provided in Paragraph 9.E below. Company will give you at least sixty (60) days written notice before increasing or decreasing the percentage of the Brand Development Fund contribution.

**D. Definition of "Gross Revenues".** As used in this Agreement, the term "Gross Revenues" means the total receipts of all money or property of any kind, for or in connection with the services rendered by you at the Facility and any other location, and any products sold, directly or indirectly, in connection with the PetU Business. The term shall be deemed to include checks, drafts, money orders, credit card payments, and all other instruments and forms of payment whether or not the same are postdated or are later dishonored or rescinded or payment is stopped thereon. Gross Revenues will be deemed received for purposes of this Agreement on the date that payment in whatever form is actually collected and received by the PetU Business. The term shall not include applicable sales, use or service taxes collected from customers and paid to the appropriate taxing authority.

**E. Electronic Funds Transfer.** You must make the weekly payments for the royalty fees, Brand Development Fund contributions, and any and all other fees that may become due and payable to us hereunder by either electronic transfer or electronic debiting of your business account, or in any other manner that Company may hereinafter designate. Upon the execution of this Agreement, you must execute the electronic funds transfer authorization form attached to this Agreement as Exhibit 5, and thereafter and shall execute any other documents as may be required from time to time by Company to permit Company to electronically transfer funds or debit your account for the purpose of making the required payments. You may not make any change in your banking relationships, including any change in the account number of your business account, or any change in banks, without our prior written approval and your execution of new authorization forms. On or before the date we specify, you must submit to us in the form and manner we specify a statement of Gross Revenues for the previous month. Payments of the royalty fee, Brand Development Fund contributions and any other fees due for each week will be transferred on the Monday of the following week based on the Gross Revenues for the previous week reported by you. You agree to make the funds available for withdrawal by electronic transfer or debiting before the Monday of each week. If at any time a withdrawal is made and you do not have sufficient funds in the account, you must pay us an insufficient funds fee in the amount of Two Hundred Dollars (\$200.00).

If you fail to submit a report of the Gross Revenues of your PetU Business and we do not have access to this information, we may transfer or debit from your account an amount which is one hundred twenty percent (120%) of the last amount we transferred for payment of weekly royalty fees, Brand Development Fund contributions, and any other continuing fees. If the amount of the royalty fees and Brand Development Fund contributions we transferred is less than the amount that you actually owe to us (once we have determined the true and correct Gross Revenues of the PetU Business), we will transfer from your account the balance of the royalty fee, Brand Development Fund contribution, and other fees due. If the amount transferred from your account is greater than the royalty fees, Brand Development Fund contributions and other fees actually owed, we will credit the excess against the next transfer for royalty fees, Brand Development Fund contributions and other fees due.

**F. Late Payment Charge.** If any monetary obligations you owe to Company or to its Affiliates are not paid in the manner set forth in Paragraph 9.E of this Agreement, you shall, in addition to any other obligations, pay Company One Hundred Twenty-Five Dollars (\$125.00) per



occurrence. Further, you acknowledge that notwithstanding the provisions of this Paragraph 9.H., your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 14.

**G. Technology Fee.** We reserve the right to charge you a technology fee (“Technology Fee”) of up to Four Hundred Dollars (\$400.00) per month (“Maximum Technology Fee”). We reserve the right to increase the Maximum Technology Fee by ten percent (10%) per year. We have the right to determine how and for what purposes the technology fees will be used, which may include covering our costs or paying fees to third party providers for technology development, maintenance, and usage for the franchise system, and subscription and license fees paid by us in order for franchisees to have access to and use certain technology tools. The technology fee shall be paid at times, in the manner, and in amounts as designated by the us. We will give you at least sixty (60) days written notice before increasing or decreasing the Technology Fee or imposing an annual increase in the Maximum Technology Fee.

**H. Interest on Late Payments.** To encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments, you will pay us upon demand interest on all amounts due and owing to us not paid in accordance with Paragraph 9.E above in the amount of the lesser of one point five percent (1.5%) per month or the highest legal rate permissible under applicable law for open account business credit. You acknowledge that the inclusion of this Paragraph in this Agreement does not mean we agree to accept or condone late payments nor does it indicate that we have any intention to extend credit to, or otherwise finance your operation of the PetU Business. Further, you acknowledge that notwithstanding the provisions of this Paragraph 9.H., your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 14.

**I. Application of Payments.** When we receive a payment from you, we have the right in our sole discretion to apply the payment received as we deem appropriate to any past due indebtedness of yours due to us or our affiliates, whether for royalty fees, Brand Development Fund contributions, other fees or payments due to us, interest, or for any other reason, regardless of how you may designate a particular payment to be applied.

## **10. IMAGE AND OPERATING STANDARDS.**

**A. Importance of Maintaining Standards.** By signing this Agreement, you indicate that you understand and acknowledge that every detail of the System is important -- not only to you, but to us and to other the PetU Businesses -- in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all franchisees, to establish and maintain a reputation for operating high quality services, to achieve the degree of quality expected by customers of the PetU Business, and to protect the goodwill of the Marks and all the PetU Businesses.

You also acknowledge that a fundamental requirement of the System, this Franchise Agreement, and other the PetU Businesses is adherence by all franchisees to the Company's standards,

policies, specifications and procedures as they may develop and change over time, except for certain regional or individual differences we may approve from time to time.

**B. Condition and Appearance of Facility.** In order to achieve the standards of quality, service and appearance that are necessary in the System, you agree that:

(1) you will maintain the condition and appearance of the furniture, fixtures, equipment, signs and the Facility in accordance with our standards and consistent with the image of a PetU Business and its high quality services and products, and observe the highest standards of efficient and courteous service. In that connection, you will take, without limitation, the following actions during the term of this Agreement: (a) thorough cleaning, repair, and repainting and redecorating of the Facility at reasonable intervals; and (b) repair or replacement of damaged, worn out or obsolete furniture, fixtures, equipment, signs and supplies;

(2) you will not make any material alterations to the Facility, as originally built out, decorated, furnished and equipped, including any unapproved replacements of or alterations to the layout, décor, fixtures, furniture, equipment, or signs of your Facility, unless they comply with our then current standards and specifications;

(3) you will replace or add new furniture, fixtures, equipment, and supplies when we reasonably specify in order to meet customer demand, meet changing standards or accommodate new services, new products, and new methods of providing the new services and products;

(4) you will place or display at the Facility (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve; and

(5) you will complete a full reimaging, renovation, refurbish and modernization of the PetU Business, within the time frame we require, including the building design, parking lot, landscaping, equipment, point of sale system, signs, interior and exterior decor items, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies and other products and materials, to meet the then-current design criteria for PetU Businesses, including but not limited to such structural changes, remodeling and redecoration and such modifications to existing improvements as may be necessary to do so (a “Franchised Business Renovation”). You shall only be required to perform a Franchised Business Renovation once every five (5) years and you shall not be required to perform a Franchised Business Renovation if there is less than one (1) year remaining in the Term. Nothing herein shall be deemed to limit your other obligations during the Term to operate the PetU Business in accordance with our standards and specifications for the System including but not limited to the obligations set forth in this Article 10.

We reserve the right to designate a supplier, which may be us, for products and supplies you must purchase to maintain system standards, including but not limited to furniture, fixtures, equipment, supplies, and signage.

If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Facility, furniture, fixtures, equipment, signs and supplies do not meet our standards, we may notify you, specifying the action you need to take to correct the deficiency. If you do not initiate within ten (10) days after receipt of our notice, and then continue in good faith and with due diligence a bona fide program to complete any required maintenance or replacement, we have the right, but not the obligation, to do the required maintenance and replacement on your behalf, and you agree to reimburse us on demand. The foregoing is in addition to any other remedies we may have, including, but not limited to, those regarding termination of this Agreement under Section 14.

In the event the Facility is damaged or destroyed by fire or any other casualty, you must, within thirty (30) days after the casualty, initiate any and all repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) such repairs or reconstruction, necessary to restore the Facility to its original condition prior to such casualty. If, in our reasonable judgment, the damage or destruction is of such a nature or to such extent that it is feasible for you to repair or reconstruct the Facility to conform to the then-current the PetU Business image specifications without incurring substantial additional costs, we may require you, by giving you written notice, to repair or reconstruct the Facility to conform to the then-current the PetU Business image specifications. If repair or reconstruction of the Facility within a reasonable amount of time (as determined by us) is not feasible, you must obtain an alternate location approved by us for the operation of the PetU Business.

**C. Service Methods and Products.** The presentation of the PetU Business image to the public is an essential element of a successful franchise system. Therefore, you agree that (1) you will offer for sale all services and products that we authorize from time to time in our sole discretion; (2) you will offer and sell approved services and products only in the manner we have prescribed; (3) you will not offer for sale or sell any services or products we have not approved unless you have obtained our prior written approval; and (4) you will not use the Facility for any purpose other than the operation of your PetU Business. You must at all times maintain an inventory of approved products, supplies and materials sufficient in quantity and variety to fulfill all customer needs and realize the full potential of a PetU Business.

**D. Approved Products, Distributors and Suppliers.** The reputation and goodwill of the PetU Business is based upon, and can be maintained only by, the sale of distinctive, high quality services and products and the delivery of those services and products in an efficient manner. We have developed standards and specifications for various services, including technology services, furniture, fixtures, equipment, tools, signs and supplies incorporated in or used in connection with the services and products authorized for sale at the PetU Business. We have also developed standards and specifications for suppliers of the above products and services, including, without limitation, standards and requirements related to product quality, consistency, reliability, frequency of delivery, financial capability, labor relations and customer relations. You therefore agree that your PetU Business will use only such furniture, fixtures, equipment, signs and supplies, and will offer for sale at your PetU Business only such products that conform to our specifications and quality standards

and/or are purchased from suppliers we have approved from time to time (which may include us and/or our affiliates).

You acknowledge and agree that we may approve a single supplier for any product, which supplier may include us or an affiliate, and that we may approve a supplier only as to certain products. Further, we may concentrate purchases with one or more suppliers to obtain lower prices or other benefits for the PetU Business.

We may from time to time modify the list of approved product types, brands and/or suppliers, and you may not, after receipt in writing of any modification, reorder any product type or brand or reorder from any supplier which is no longer approved. If you would like to purchase any of the foregoing items of any brand or type or from a supplier which is not then approved, you must submit to Company a written request for approval of the proposed product or supplier and such other information as Company requires. Company has the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered, at Company's option, either directly to Company or to any independent, certified entity which Company designates for testing of the product. Company has the right to charge you or the supplier a non-refundable fee of Seven Hundred Fifty Dollars (\$750.00) per review. You or the supplier will also be responsible for covering Company's costs of inspection and testing incurred in making a suitability determination. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval of the supplier or product if the supplier does not continue to meet all of our criteria. We will, within One Hundred Twenty (120) days of submission of all required information, notify you as to whether or not the proposed product and/or supplier is approved.

**E. Specifications, Standards, Policies and Procedures.** You agree to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or electronic communication to you) relating to the management and operation of the PetU Business. The mandatory specifications, standards, and operating policies and procedures we prescribe from time to time in the Operations Manual, or otherwise communicate to you in writing or electronically, will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to "this Agreement" include all such mandatory specifications, standards, and operating policies and procedures. The mandatory specifications will include, without limitation:

- (1) the manner in which the services are provided to customers;
- (2) the safety, maintenance, cleanliness, function and appearance of the Facility, and the furniture, fixtures, equipment, signs, materials and supplies used in providing services to customers;
- (3) as applicable, the types and sources of supply for products authorized for sale to customers;
- (4) standard operating hours for the Facility and Customers' Homes;

- (5) recommended pricing of services and products and maximum and minimum pricing as permitted by law;
- (6) qualifications, training, dress, general appearance and demeanor of the PetU Business trainers who interact with customers;
- (7) use of the Marks and use of supplies, forms and materials imprinted with the Marks;
- (8) bookkeeping, accounting, customer data collection, and other recordkeeping systems and forms;
- (9) methods and materials for advertising, marketing and promotion; and
- (10) the manner in which customers register for boarding, day care, training, grooming, and other services;
- (11) identification of you as the owner of your PetU Business.

**F. Compliance with Laws.** You agree to secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of a PetU Business. You agree to operate your PetU Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to worker's compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes and sales taxes. You agree to abide by all applicable laws pertaining to the privacy of consumer, employee and transaction information obtained through the operation of your PetU Business. You agree that you will not take any action, or fail to take any action, that may cause any licenses or permits to be revoked, suspended or restricted, and you are solely responsible for compliance with all applicable laws, regulations, ordinances and standards pertaining thereto. You must immediately notify us of steps taken or threatened to be taken by the issuing authority to revoke, suspend or restrict any of such licenses or permits. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, writ, injunction, award or decree, by any court, agency or other governmental unit which may adversely affect the operation or financial condition of you or your PetU Business, or of any notice of violation of any law, ordinance, or regulation relating to safety.

**G. Good Business Practices.** You must at all times give prompt, courteous and efficient service to your customers and in all dealings with us, your customers and suppliers, the general public, public officials and prospective franchisees adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct.

**H. Mystery Shopper Program.** You must participate in any mystery shopper program we establish from time to time for the purpose of monitoring service and product quality, assessing compliance with the System, and/or measuring customer satisfaction in PetU Businesses. If such program is established, Franchisee agrees to pay the actual cost of any and all mystery shopping

conducted at Franchisee’s PetU Business up to Four Hundred Dollars (\$400.00) per visit. We reserve the right to conduct up to two (2) mystery shops per year. The costs may be either paid by Franchisee to Franchisor directly or to such third party supplier as Franchisor directs. If you receive an unsatisfactory review, you will undergo additional mystery shops at your expense until your PetU Facility receives a satisfactory review.

**I. Management of the Franchise/Conflicting Interests.** Your PetU Business must at all times be under the direct, day-to-day, full-time supervision of an Operating Owner who has satisfactorily completed our training program. Your Operating Owner who is responsible for the day-to-day supervision of your PetU Business may not engage in any other business or other activity, directly or indirectly, requiring substantial management responsibility, time commitments, or which may otherwise conflict with your obligations under this Agreement.

**J. Staffing.** You shall hire such managers and employees as are necessary for the operation of the PetU Business in compliance with this Agreement and the policies, procedures, standards and specifications set forth in the Operations Manual. You are exclusively responsible for all employment decisions and functions related to the operation of the PetU Business, including recruiting, hiring, firing, compensation, benefits, work hours and schedules, work rules, recordkeeping, supervision and discipline of employees. Franchisee shall notify and communicate clearly with its employees in all dealings, including without limitation, its employment applications, written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, and other written materials that Franchisee (and only Franchisee) is their employer and that Company is not their employer. Franchisee shall comply with any state workers compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment or employee benefit law or regulation, and shall establish employer accounts as required by applicable federal and/or state law. You shall implement a training program for your employees in compliance with Company’s standards and specifications as set forth in the Manual in order to maintain uniformity within the franchise system for the protection of the brand and Marks.

**K. Insurance.** You must at all times during the term of this Agreement maintain in force, at your sole expense, comprehensive public liability insurance, product liability insurance and motor vehicle liability (including owned and non-owned auto liability) insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your PetU Business or your conducting business pursuant to this Agreement. Such policies must be issued by an insurance carrier with a minimum rating of “A-“ by AM Best or comparable rating. Such insurance coverage must be maintained under policies of insurance containing minimum liability protection in such amounts and for such risks as we may specify from time to time in the Operations Manual or otherwise in writing. Current minimum insurance requirements are as follows:

Coverage Types	Required Limits of Coverage
General Liability	\$2 million aggregate \$1 million per occurrence

Personal Injury	\$5,000 per person medical benefits
Personal and Advertising Injury	\$1 million limit
Products/Completed Operations	\$2 million aggregate
Employment Practices Liability	\$100,000 aggregate \$100,000 per occurrence
Property damage coverage	All perils coverage to personal property (interior and exterior) The higher of \$300,000 minimum coverage or the investment you have made, including but not limited to leasehold improvements, furniture, equipment, inventory, and signage
Accidental Injury to Animals	\$10,000 per occurrence \$1,000 per animal
Umbrella Liability	\$1 million aggregate \$1 million per occurrence
Employee Dishonesty	\$10,000 limit
Interruption of Computer Operations	\$10,000 aggregate
Identity Theft	\$5,000 limit
Owned or Non-Owned Auto Liability	\$1 million single limit per accident As required by state law
Business Interruption	12 months of lost income
Employer's Liability and Worker's Compensation	As required by state law
Other Insurances	As required by local, state or federal laws; or by the landlord

All insurance policies must name us an additional insured, and must provide that we will receive thirty (30) days prior written notice of termination, expiration or cancellation of any such policy. All insurance policies required by this section must provide cross liability coverage. You waive all rights of subrogation against us for damages to the extent paid by insurance, except such rights as you may have to insurance proceeds.

We may reasonably increase the minimum liability protection requirement annually and we have the right to require at any time on reasonable prior notice to you different or additional kinds of insurance to reflect inflation, changes in standards of liability or higher damage awards in public, product, or motor vehicle liability litigation or other relevant changes in circumstances.

You must submit to us prior to opening your PetU Business and annually thereafter a copy of the certificate of or other evidence of such insurance policy and all renewals or extensions. If you at any time fail or refuse to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence of such coverage, we at our option and in addition to our other rights and remedies under this Agreement, may obtain such insurance coverage on your behalf, and you agree to promptly execute any applications or other forms or instruments required to obtain any such insurance, allow any inspections of the Facility which are required to obtain or maintain the insurance and pay to us, on demand, any costs and premiums incurred by us plus an administrative fee of ten percent (10%).

Your obligations to obtain and maintain the insurance described above is not limited in any way by reason of any insurance maintained by us, nor will your performance of such obligations relieve you of any obligations under Section 8 of this Agreement.

**L. Proprietary Products.** We may develop certain proprietary and/or branded products, materials, supplies, apparel, or other items branded with the Marks ("Proprietary Products") for use or sale in your PetU Business. In the event such Proprietary Products are developed and implemented by us as part of the System, you shall carry an adequate supply and maintain a representative inventory of Proprietary Products in such amounts as we prescribe in the Operations Manual or otherwise in writing. You shall use and/or promote, offer, and sell all Proprietary Products prescribed by us as part of the System. You acknowledge that you will be required to purchase the Proprietary Products from us or a supplier we designate. You further acknowledge that failure to abide by this provision will result in diffusing the public image of the PetU Businesses to the detriment of all franchisees using the System.

**M. Computer System; Proprietary Software.** You must purchase and/or lease and use in the operation of your PetU Business, the computer system and any other technology requirements as specified by us in the Operations Manual or otherwise in writing, including, but not limited to, any software system that is required for uniformity with our computer system and those of the other PetU franchises, or that was designed exclusively for or modified for the System ("Proprietary Software"). You must use our Proprietary Software in the operation of the PetU Business and comply with all specifications and standards prescribed by us regarding the Proprietary Software, as provided from time to time in the Operations Manual, including but not limited to execution of a software license agreement. Upgrades to the Proprietary Software may be implemented into the System at our discretion. You will be responsible for maintaining on-going services and support regarding the Proprietary Software, and we or a third party will license the Proprietary Software to you at the then-current published rates.

We shall have the right to access, for any purpose or use related to our operation, management and/or monitoring of the System, any information or reports generated or stored by the required computer system. We shall have the right to access the computer system for your PetU Business at any reasonable time or through a web-based system as we deem necessary for retrieval of information and reports, maintenance or to inspect for compliance with our requirements.



We shall have the right to require you to add to or replace any of the components of your computer system (hardware or software) or other required technology if, in the future, we deem the component to be (a) undersized or otherwise insufficient for the efficient operation and management of a PetU Business, or (b) incompatible with our computer hardware or software, the computer hardware or software that we designate for franchise network use and/or any intranet established for the franchise network.

**N. Gift Cards/Loyalty Programs.** You agree:

(1) to offer for sale gift cards and/or the loyalty program, which must be in the form and version designated by Company ("Official Gift Card/Loyalty Program"), as it may be amended from time to time;

(2) not to offer for sale or give away any form of Gift Card or Loyalty Program other than the Official Gift Card/Loyalty Program;

(3) not to create Franchisee's own Gift Card or Loyalty Program;

(4) to accept and honor the Official Gift Card/Loyalty Program in exchange for products or services when presented for redemption at your Facility;

(5) to obtain and maintain whatever is the currently designated equipment and/or software necessary to process the authorized Gift Cards/Loyalty Program, which may be through a Mobile Application; and

(6) to comply with any policy promulgated by Company regarding changes to the form and use of Gift Card/Loyalty Program, including transition periods for the phasing in of modifications to the Official Gift Card/Loyalty Program.

**O. Internet.** You must maintain at all times an active e-mail account and have high speed access to the Internet for use in the operation of your PetU Business, for communication with us, and for access to a franchise intranet, if developed. At our option, you must use an e-mail address designated by us.

**11. MARKETING.**

**A. Brand Development Fund.** Recognizing the value of advertising to the goodwill and public image of the PetU Businesses, we will administer a Brand Development Fund for the franchise system (the "Brand Development Fund") for such marketing, advertising and promotional programs as we, from time to time deem appropriate in our sole discretion. In Paragraph 9.C, you agreed to contribute to the Brand Development Fund.

We will be entitled to direct all advertising, marketing and promotional programs financed by the Brand Development Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. You agree that the Brand Development Fund may be used to pay the costs of preparing and producing video, audio, written and electronic advertising materials; administering national, regional or local advertising and promotional programs including, without limitation, direct mail, social media and other media advertising; establishing and maintaining a website for the franchise system; supporting public relations, market research and marketing activities; providing advertising, marketing and promotional materials or content to the PetU franchises; employing advertising or public relations agencies to assist in any of the activities of the Brand Development Fund; and other brand development activities. The Brand Development Fund will furnish you with approved advertising, marketing and promotional materials on the same terms and conditions as such materials are furnished to other PetU franchises.

The Brand Development Fund will be a separate and distinct account, and will be accounted for separately from the other funds of the Company and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the Brand Development Fund and its advertising, marketing and promotional programs (including, without limitation, conducting market research, preparing advertising, marketing and promotional materials, and collecting and accounting for contributions to the Brand Development Fund). We may spend in any fiscal year an amount greater or less than the total contribution of the PetU franchises to the Brand Development Fund in that year. We may cause the Brand Development Fund to borrow from us or other lenders to cover deficits of the Brand Development Fund or cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. All interest earned on monies contributed to the Brand Development Fund will be used to pay advertising, marketing and promotional costs of the Brand Development Fund before other assets of the Brand Development Fund are expended. We will prepare an annual statement of monies collected and costs incurred by the Brand Development Fund and will make it available to the PetU franchisees upon request.

You understand and acknowledge that the Brand Development Fund is intended to maximize recognition of the Marks and patronage of the PetU Businesses. Although we will endeavor to use the Brand Development Fund to develop advertising, marketing and promotional material, to place advertising and engage in other brand development activities in a manner that will benefit all the PetU franchisee, we undertake no obligation to ensure that expenditures by the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Development Fund by the PetU franchisees operating in that geographic area or that any the PetU franchisee will benefit directly or in proportion to their contribution to the Brand Development Fund from the development of advertising, marketing and promotional materials or the placement of advertising. Except as expressly provided in this Paragraph 11.A, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Brand Development Fund.

We have the right to discontinue or to reestablish the Brand Development Fund. In the event we discontinue the Brand Development Fund, we will distribute all unspent amounts existing in the Brand Development Fund on the date of discontinuance to franchisees in proportion to their respective contributions for the most recent twelve (12) months.

**B. Grand Opening Marketing.** Beginning sixty (60) days prior to the opening of the PetU Business and continuing through the first sixty (60) days of operation of the PetU Business, you must spend a minimum of Fifteen Thousand Dollars (\$15,000.00) conducting an advertising and marketing campaign to promote the grand opening of the PetU Business. Grand opening monies will be spent on social media, print, radio, digital advertising and/or other advertising or promotions that you and we agree is best suited for your grand opening campaign. The grand opening advertising and marketing shall be conducted in accordance with the Manual and/or other written guidelines we may issue on initial advertising and promotion. We reserve the right to designate a third party supplier to conduct your Grand Opening Marketing.

**C. Direct Marketing.** You shall promote the PetU Business and market for new customers throughout the term of the franchise. You may only directly market for customers of the Facility within the Territory and are strictly prohibited from direct marketing for customers of the Facility outside of the Territory. Direct marketing shall include all forms of advertising and promotion to new customers which can reasonably be related to a geographic area, including but not limited to cold calling, telephone solicitation, direct mailings, local media and targeted social media advertising.

**D. Local Marketing Requirement.** Beginning your third (3<sup>rd</sup>) month of operation, during each calendar month, we may require you to spend up to Two Thousand Dollars (\$2,000.00) on local marketing, advertising and promotion. We may periodically increase or otherwise modify the amount of your Local Marketing Requirement upon ninety (90) days' written notice to you. Your Local Marketing Requirement excludes any contributions you make to the Brand Development Fund, defined in Section 11.A above, but any contributions you make to an advertising cooperative, defined in Section 11.F below, will count toward your Local Marketing Requirement. Your required cooperative advertising contributions could, by themselves, exceed the Local Marketing Requirement. We, our affiliates or a third party we designated may be a supplier of local advertising, marketing and promotional programs for your PetU Business. If we or our affiliates become a supplier of local advertising, marketing and promotional programs, we reserve the right to collect the Local Marketing Requirement in the same manner as other fees due to us in accordance with Paragraph 9.E. above.

**E. Advertising Review.** Prior to your use of them, you must submit to us for approval or disapproval samples of all local marketing, advertising and promotional materials, programs and information, and content for your webpage (linked to our website), any listing on the Internet, or any information to be displayed on any social media site not prepared by us or our approved advertising or public relations agency or not previously approved by us. We will not unreasonably withhold approval of any marketing, advertising or promotional materials or programs or content for the internet. If you do not receive written approval within ten (10) business days from the date of our

receipt of such materials, programs or content submitted by you, the materials, programs or content will be deemed disapproved. You may not use any marketing, advertising or promotional materials or programs or content that we have disapproved. All marketing, advertising and promotional materials and content you use must be completely factual, in good taste (as determined in our sole discretion) and must conform to the highest standards of ethical advertising. You agree to refrain from any marketing, advertising or promotion practice which may be harmful to your PetU Business, the business of the Company and the goodwill associated with the Marks and other the PetU Businesses.

**F. Cooperative Advertising.** In addition to your individual local marketing expenditures and contributions to the Marketing Fund, if a local or regional advertising cooperative is formed either by us or by PetU franchisees and approved by us in your area or region, you agree to participate in such cooperative and contribute to the cooperative in the amount and manner agreed upon by a majority of the members of the cooperative. Each of the PetU Businesses in the cooperative, whether franchised or company-owned or affiliate-owned, shall have one vote in the cooperative. Contributions made by you to the cooperative will be credited to your local marketing expenditure requirements in Paragraph 11.D. above. The amount of your contribution to the cooperate shall not be higher than fifty percent (50%) of the local marketing expenditure requirements. We assume no direct or indirect liability or obligation to you or to any advertising cooperative with respect to the maintenance, direction or administration of the cooperative, including without limitation, any failure by franchisees to make required contributions to the cooperative.

## **12. RECORDS AND REPORTS; AUDIT.**

**A. Accounting and Records.** You agree to establish and maintain at your own expense a bookkeeping, accounting and recordkeeping system that conforms to our requirements, specifications and formats we prescribe from time to time. You also agree to maintain at the Facility and preserve for a minimum of five (5) years from the date of their preparation, full, complete and accurate books, records and accounts (utilizing the standard chart of accounts furnished or required by us), copies of sales tax returns and copies of such portions of your and your Owner's state and federal income tax returns as reflect the operation of your PetU Business.

**B. Reports and Tax Returns.** You must furnish to us the following in the form and manner we require:

(1) on or before the time specified by us, statements relating to Gross Revenues for the immediately preceding week.

(2) within ten (10) days after the end of each calendar month, a monthly profit and loss statement for your PetU Business for the immediately preceding month and year-to-date.

(3) on or before April 25 of each year, a profit and loss statement and sources and uses of funds statement for your PetU Business for the calendar year and a balance sheet for your PetU

Business as of the end of the calendar year. If we request, these annual financial statements must have been reviewed by an independent certified public accountant.

(4) within ten (10) days after the end of each calendar quarter, exact copies of all state sales tax returns as applicable.

(5) on or before April 25 of each year, exact copies of such portions of your and your Owners' federal and state income tax returns as reflect the operation of your PetU Business.

Furthermore, you agree to furnish to us copies of any other reports we designate and such other information and supporting records as we from time to time prescribe. All such financial statements, reports and information must be submitted in the manner we prescribe in the Operations Manual or otherwise in writing. If you shall fail to furnish to us any of the required reports or financial statements by the due date set forth herein, we may charge you a late fee of One Hundred Twenty-Five Dollars (\$125) per occurrence ("Late Report Fee"). You shall also pay to Company the Late Payment Fee on all unpaid amounts.

We reserve the right to designate a third party supplier for bookkeeping, accounting and recordkeeping. If we exercise this right, we have the right to require direct electronic access by the third party to your business records, bookkeeping and accounting records, bank statements, sales and income tax records and returns and other books and records of you and your PetU Business. For purposes of this direct electronic access, records and reports exclude employment records for your employees.

**C. The Company's Right to Examine Books and Records.** We have the right at any time during business hours, and without prior notice to you, to examine or audit, or cause to be examined or audited, the business records, bookkeeping and accounting records, bank statements, sales and income tax records and returns and other books and records of you and your PetU Business. For purposes of this examination and audit, records and reports exclude employment records for your employees. You agree to fully cooperate with our representatives and independent accountants hired by us to conduct any such examination or audit.

In the event any such examination or audit discloses an understatement of Gross Revenues, you must pay to us, within ten (10) days after receipt of the examination or audit report, the royalty fees and Brand Development Fund contributions due on the amount of such understatement, plus service charges (at the rate provided in Paragraph 9.H.) from the date originally due until the date of payment. Further, in the event such examination or audit (i) is made necessary by your failure to furnish reports, supporting records, financial statements or other documents or information as required by the Agreement, (ii) is made necessary due to your failure to furnish such reports, records, financial statements, documents or information on a timely basis, or (iii) if an understatement of Gross Revenues for any month is determined by any such examination or audit to be greater than two percent (2%), you agree to reimburse us for the cost of such audit or examination, including, without limitation, the charges of any independent accountants and the travel expenses, room and board and

compensation of our employees. The foregoing remedies are in addition to all other remedies and rights we may have under this Agreement or any applicable law.

### 13. **ASSIGNMENT.**

**A. By the Company.** This Agreement and the Franchise are fully assignable by us and will inure to the benefit of any assignee or other legal successor to the interest of the Company herein.

**B. By Franchisee With Approval.** You understand and acknowledge that the rights and duties created by this Agreement are personal to your Owners and we have granted the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of your Owners. Therefore, except as otherwise provided in Paragraph 13.E below, neither the Franchise, your PetU Business or a substantial portion of the assets of your PetU Business (or any interest therein) nor any part or all of the ownership of the Franchisee may be voluntarily, involuntarily, directly or indirectly, assigned, sold, subdivided, subfranchised or otherwise transferred by you or your Owners (including, without limitation, by merger or consolidation, by issuance of additional securities representing an ownership interest in the Franchisee, or in the event of the death of an Owner of the Franchisee, by will, declaration of or transfer in trust or the laws of intestate succession) without our prior written approval. Further, neither your PetU Business nor a substantial portion of its assets may be transferred without a concurrent transfer of this Agreement and the Franchise to the same transferee. Any such assignment or transfer without our approval will constitute a breach of this Agreement and will convey no rights to or interests in the Franchise, your PetU Business or its assets.

**C. Conditions for Approval of Assignment.** If you (and your Owners) are in compliance with this Agreement, we will not unreasonably withhold our approval of an assignment, provided that the owners of the proposed assignee is, in our opinion, of good moral character and has sufficient business experience, aptitude and financial resources to own and operate a PetU Business, does not have any conflicting interests unacceptable to us, and otherwise meets our then applicable standards for franchisees. In addition the following conditions must be met prior to, or concurrently with, the effective date of the assignment:

(1) all obligations of you and your Owners under this Agreement have been assumed by the assignee and its owners;

(2) you have paid such royalty fees and Brand Development Fund contributions and any other amounts owed to us or our affiliates which are then due and unpaid;

(3) the assignee (Owners and designated employees) completes the initial training program required of new franchisees to our satisfaction;

(4) the lessor of the Facility has consented to your assignment or sublease of the Facility to the proposed assignee;

(5) the assignee and its owners have, at our option, executed and agreed to be bound by either: (a) an assignment and assumption agreement satisfactory to us whereby the assignee assumes your obligations under this Agreement; or (b) the form of franchise agreement, owner guarantees and such other ancillary agreements as are then customarily used by us in the grant of franchises for a PetU Business, which may provide for territorial rights, royalty fees, Brand Development Fund contributions and other fees and terms and conditions that differ from those contained in this Agreement;

(6) except to the extent limited or prohibited by applicable law, you and each of your Owners must have executed a general release, in form satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents;

(7) you must provide us copies of agreements between you and the assignee pertaining to the assignment and we must have determined that the price and terms of payment are not so burdensome as to adversely affect the future operations of your PetU Business by the assignee. We have the right to communicate with and confer with both you and the proposed assignee on any aspect of the proposed assignment and to furnish the proposed assignee with financial and other information regarding your franchise business in our possession; however, we have no obligation to provide guidance or advice to either party relating to the purchase and sale terms;

(8) you must have entered into an agreement with us agreeing that any obligations of the assignee to make installment payments of the purchase price to you will be subordinate to the assignee's ongoing obligations to us, including, without limitation, royalty fees, Brand Development Fund contributions, and any other amounts owed to us or our affiliates.

(9) you and or the assignee must agree to make within a time period we specify reasonable capital expenditures to remodel, replace or upgrade the Facility, and furniture, fixtures, equipment and signs so that the PetU Business reflects the then-current image intended to be portrayed by a PetU Business. All remodeling, replacements and upgrades to the Facility, furniture, fixtures, equipment and signs must be done in accordance with standards and specifications as prescribed by us.

(10) you (or the assignee) pay us a Transfer Fee equal to ninety percent (90%) of the then-current Initial Franchise Fee if the Transferee is a new franchisee or fifty percent (50%) of the then-current Initial Franchise Fee if the Transferee is an existing PetU franchisee. The transfer fees required cover our administrative expenses in connection with the transfer. You shall pay a non-refundable deposit on the transfer fee in the amount of Five Thousand Dollars (\$5,000.00) at the time you request our written consent of the proposed transfer.

Our consent to an assignment of any interest subject to the restrictions of Paragraph 13.B or 13.C will not constitute a waiver of any claims we may have against the assignor, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the assignee.

**D. Transfer to a New Entity.** If a proposed transfer among existing shareholders, partners or members of Franchisee the transfer fees shall be Three Thousand Dollars (\$3,000.00). In the event of such transfer, Franchisor reserves the right to waive conditions or requirements contained in Paragraph 13.C. in its sole discretion and to require the Principal(s) of the transferee to execute a Guaranty and Assumption of Franchisee's Obligations as required by Paragraph 4.A.1.

**E. Death or Disability of Franchisee.** Upon the death or permanent disability of any of your Owners, the executor or other personal representative of such person must transfer such person's interest within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, to a person approved by us. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject to all the terms and conditions for assignments and transfers contained in Paragraphs 13.B and 13.C. Failure to transfer such interest within the required period of time will constitute grounds for termination under Section 14. Prior to such transfer, the executor or other personal representative of such person, or the remaining Owners, must appoint a competent manager within a reasonable time, not to exceed thirty (30) days from the date of death or permanent disability. The appointment of this manager is subject to our prior written approval, and this manager must, if requested by us, attend and satisfactorily complete our training program. If the PetU Business is not being managed by an operating manager approved by us within thirty (30) days after the death or permanent disability, we are authorized, but we are not required, to immediately appoint a manager to maintain the operations of the PetU Business. Our appointment of a manager for your PetU Business will not relieve you of your obligations under this Agreement, and we will not be liable for any debts, losses, costs or expenses incurred in the operation of your PetU Business or to any of your creditors for any products, materials, supplies or services purchased by your PetU Business during any period in which it is managed by the manager appointed by us. We have the right to charge a reasonable non-refundable fee for such management services and to cease providing such management services at any time.

**F. Our Right of First Refusal.** If you or your Owners at any time wish to sell, assign or transfer for consideration either the Franchise, your PetU Business (or an interest therein) or an ownership interest in the Franchisee, you or your Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must submit an exact copy of such offer to us. We will have the right, exercisable by written notice delivered to you or your Owners within thirty (30) days from the date of delivery of an exact copy of such offer to us, to purchase the Franchise, your PetU Business (or such interest therein) or such ownership interest in the Franchisee for the price and on the terms and conditions contained in such offer, provided that we may substitute cash for any form of payment proposed in such offer, we will have no less than sixty (60) days to prepare for closing and we will be entitled to all representations and warranties customarily given to the direct or indirect purchaser of a business. If we do not exercise our right of first refusal, you or your Owners may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to our approval of the purchaser as provided in Paragraphs 13.B and 13.C, provided that if the sale to such purchaser is not completed within one-hundred twenty (120) days after delivery of such offer to us, or if there is a material change in the terms of the offer, we will again have the right of first refusal herein provided.



**G. Broker Fees.** If we incur brokerage commissions, finder's fees or similar charges in connection with a transfer of the franchise ("Broker Fees"), an interest in the Franchised Business, the assets of the Franchise Business or an interest in the franchisee, you shall reimburse us for any such Broker Fees we incur.

#### **14. TERMINATION OF THE FRANCHISE.**

**A. By the Company Without Opportunity to Cure.** You will be deemed to be in default and we may, at our option, terminate this Agreement and all rights granted by this Agreement, without affording you an opportunity to cure the default, effective immediately upon delivery of notice of termination to you, if you (or any of your Owners):

(1) fail to open your PetU Business for business as provided in Paragraphs 4.E. or fail to satisfactorily complete the training program as provided in Paragraph 5.B.;

(2) have made any material misrepresentation or omission in your application for the franchise rights conferred by this Agreement;

(3) abandon, surrender, or fail to actively operate your PetU Business at the Facility for five (5) or more consecutive days without our prior written consent;

(4) any license(s) required for your PetU Business to provide the authorized services has been revoked by the issuing governmental authority, or you permit the license to lapse and fail to take all actions necessary to reinstate the license within five (5) days of expiration;

(5) are convicted of or plead no contest to a crime or engage in any immoral, dishonest or unethical conduct that we reasonably believe will affect the reputation of the Company, your PetU Business, the System or the goodwill associated with the Marks;

(7) make an unauthorized assignment or transfer of this Agreement or your PetU Business in violation of Section 13 herein;

(8) make any unauthorized use or disclosure of any Confidential Information, make any unauthorized use of the Marks or any other identifying characteristics of the System or otherwise impair the goodwill associated with these characteristics, or use, duplicate, or disclose any portion of the Operations Manual or other proprietary written materials;

(9) you (or any of your Owners) fail to comply with the covenants contained in Paragraph 7.B. or 7.C. of this Agreement;

(10) cause a threat or danger to public health or safety resulting from the operation of your PetU Business and upon receipt of written or oral notice from us or governmental authority of the

existence of such threat or danger, you fail to immediately cease any activity or conduct causing the threat or danger and fail to complete the cure of such breach within twenty-four (24) hours;

(11) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to (i) submit when due financial statements, reports or other data, information or supporting records; (ii) pay when due the royalty fees, Brand Development Fund contributions, or any other payments due to us (including by failing to have insufficient funds in the designated bank account on the date for electronic withdrawal); (iii) pay when due any approved or designated suppliers; or otherwise fail to comply with this Agreement, or with any mandatory specification, standard or operating procedures we prescribe from time to time, whether or not such failures to comply are corrected after notice of those failures to comply is delivered to you;

(12) fail to attend two (2) or more conferences as provided in Paragraph 5.E. herein;

(13) have verbally or physically abused any dog in connection with the operation of the PetU Business as determined by us after reasonable investigation; or you have failed to investigate and/or take proper action after your employee or independent contractor has been alleged to have verbally or physically abused a dog as a representative of the PetU Business; or

(14) have committed an act of gross negligence in the care and safety of any dog in connection with the operation of the PetU Business as determined by us after reasonable investigation; or you have failed to investigate and/or take proper action after your employee or independent contractor has been alleged to have committed an act of gross negligence in the care and safety of any dog as a representative of the PetU Business.

Further, this Agreement will expire automatically without notice upon the presentation for filing by you (or any of your Owners) of a petition or application seeking any type of relief under the Federal Bankruptcy Act or any state insolvency or similar law, or upon your assignment for the benefit of creditors. (Upon presentation for filing of such a petition or application, the term of this Agreement will be deemed to be amended so that the expiration of this Agreement occurs at the moment said petition or application is presented to a court official for stamping and filing.) This Agreement will also terminate automatically without notice if someone files a petition or application seeking to have you (or any of your Owners) adjudicated a bankrupt or insolvent, or seeking other relief against you (or any of your Owners) under the Bankruptcy Act or any state insolvency or similar law and the petition or application is not dismissed within sixty (60) days after it is filed. In that event, the term of this Agreement will be deemed to be amended so that it expires on the 60th day after filing. You (and your Owners) expressly and knowingly waive any rights you may have under the provisions of the Federal Bankruptcy Rules, and consent to the termination or expiration of this Agreement, or any other relief which we may seek in a complaint to lift the provisions of any automatic stay under any bankruptcy rules. In addition, you (and your Owners) agree not to seek any injunctive relief from any court in any jurisdiction which would have the effect of staying or enjoining this provision.

**B. By the Company With Opportunity to Cure.** We have the right to terminate this Agreement upon written notice to you if you (or any of your Owners):

(1) fail to accurately report the Gross Revenue of your PetU Business or to timely pay royalty fees, Brand Development Fund contributions, or other payments due to us or our affiliates, and do not correct such failure within ten (10) days after written notice of such failure is delivered to you;

(2) fail to purchase the insurance required by this Agreement and deliver proof of same to us or fail to reimburse the Company for its purchase of such insurance on your behalf within ten (10) days after notice from the Company.

(3) fails, for a period of ten (10) days after notification of non-compliance, to comply with any federal, state or local law or regulation applicable to the operation of the PetU Business;

(4) commit any act or omission of default under the lease for the Facility and do not cure the default within the applicable cure period set forth in the lease; or

(5) fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating policy or procedure we prescribe from time to time, and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you. If such breach cannot be reasonably be cured within such thirty (30) day period and if you commence a bona fide program to cure such breach within thirty (30) days and continue to take such actions as are necessary to complete such cure until completed, you will be given the reasonable amount of time required to complete the cure. If you fail to continue to take the necessary action to cure or you do not complete the cure within the reasonable period, then we may terminate this Agreement effective upon delivery to you of written notice that such breach has not been cured in a reasonable time and we are electing to terminate.

**C. Customer Satisfaction.** Notwithstanding anything to the contrary contained in this Section 14, we have the right to survey your customers to determine their level of satisfaction with you and your PetU Business. If, in any one calendar year, ten percent (10%) or more of your customers are dissatisfied as evidenced by the written customer satisfaction surveys, we will notify you of the results of any such survey. If, upon completing a second survey of your customers within three (3) months of completing the first survey, twenty (10%) or more of your customers are dissatisfied as evidenced by the written customer satisfaction surveys, we, if we determine such dissatisfaction was warranted upon reasonable investigation, may take over the Territory and terminate the Agreement.

If we are contacted by a customer or other patron of your PetU Business who wishes to lodge a complaint, we reserve the right to address the complaint in order to preserve goodwill and prevent damage to the brand. You shall pay us Two Hundred Fifty Dollars (\$250) for each complaint (“Customer Resolution Fee”) to compensate us for our administrative cost of responding to the complaint. Our right to address complaints may include refunding money to the complaining customer in our sole discretion, in which case you will reimburse us for all such amounts.

**D. Right to Operate Upon Default.** In addition to our right to terminate this Agreement and not in lieu of such right or any other rights, in the event that you have not cured a default under this Agreement within fourteen (14) days after receipt of a written notice of default, we may, at our option, take over and exercise complete authority with respect to the operation of your PetU Business until such time as we determine that the default has been cured and that there is compliance with the requirements of this Agreement. You acknowledge and agree that our agent or other representative designated by us may take over, control and operate your PetU Business, that you shall pay us the then-current published fee for such service, plus all travel expenses, room and board and other expenses reasonably incurred by such agent or representative so long as it shall be required to enforce compliance with this Agreement. You further acknowledge that if we temporarily operate your PetU Business for you under this Paragraph 14.D., you will indemnify and hold harmless Company and any agent or representative of the Company respecting any and all claims arising out of our operation of your PetU Business under this Paragraph 14.D. Nothing in this Paragraph 14.D. shall require us to operate your PetU Business when you are in default.

**E. Monetary Fees for Non-Compliance.** In addition to any and all other remedies available to Company under this Agreement or under the law upon your default, Company may impose on Franchisee monetary non-compliance fees of up to Five Hundred Dollars (\$500) per day or per occurrence (whichever is applicable) for defaults under this Agreement. Then-current non-compliance fees shall be published in the Operations Manual.

**F. Cross Default.** Any default by you (or a different entity owned by your Owners) of any Franchise Agreement with us shall be deemed a default under this Agreement and any default by you of this Agreement shall be deemed a default under any other Franchise Agreement between us and you (or a different entity owned by your Owners). If the nature of such default under any other agreement would have permitted us to terminate this Agreement if such default had occurred under this Agreement, the Company shall have the right to terminate any other Franchise Agreement between us (or a different entity owned by your Owners) in the same manner as provided herein for termination of this Agreement.

**G. Additional Remedies.** In addition to and without limiting our rights and remedies under this Agreement, any other agreement and applicable law, upon any events upon which we may terminate this Agreement under this Article 14, we may, at our sole option and upon delivery of written notice to you, elect to take any or all of the following actions without terminating this Agreement:

(1) temporarily or permanently reduce the size of the Territory, in which even the restrictions upon Paragraph 2.C. will not apply in the geographic area that was removed from the Territory;

(2) refuse to provide any operation support that this Agreement required or we have elected to provide or suspend any other services that we or our affiliates provide to you under this Agreement or any other agreement; and/or

(3) temporarily remove information concerning your PetU Business from the PetU Website.

**15. RIGHTS OF THE COMPANY AND OBLIGATIONS OF FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.**

**A. Payment of Amounts Owed to the Company.** You agree to pay to us within ten (10) days after the effective date of termination or expiration (without acquisition of a successor franchise) of this Agreement such royalty fees, Brand Development Fund contributions, late fees and interest due us on any of the foregoing and all other amounts owed to us and our affiliates which are then unpaid. You must furnish a complete accounting of all such amounts owed to us and our affiliates with the payment.

**B. The Marks.** You (and your Owners) agree that after the termination or expiration (without acquisition of a successor franchise) of this Agreement you will:

(1) not directly or indirectly at any time or in any manner identify yourself or any business as a current or former PetU Business, or as a franchisee or licensee of or as otherwise associated with the Company, or use the Marks, any colorable imitation thereof or other indicia of a PetU Business in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark, trade dress, domain name, or other commercial symbol that suggests or indicates a connection or association with the Company;

(2) promptly return to us or destroy (whichever we specify) all signs, promotional and advertising materials, forms, and other materials containing the Marks or otherwise identifying or relating to a PetU Business;

(3) promptly take such action as may be required to cancel all fictitious or assumed name, "doing business as" or equivalent registrations relating to your use of the Marks;

(4) promptly notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number and any telephone directory listings associated with the Marks and to authorize transfer of same to or at the direction of the Company. You acknowledge that as between the Company and you, we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize the Company, and by execution of the Exhibit 3 Conditional Assignment of Telephone Number have appointed the Company and any officer of the Company as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer same to the Company or at its direction, should you fail or refuse to do so, and the telephone company and all listing agencies may accept such direction or this Agreement as conclusive of the exclusive rights of the Company in such telephone numbers and directory listings and its authority to direct their transfer;

(5) promptly cancel, or at our option transfer to us, all social media or digital marketing accounts, and provide passwords for same;

(6) furnish to us within thirty (30) days after the effective date of termination or expiration evidence satisfactory to us of your compliance with the foregoing obligations.

**C. Confidential Information.** You agree that upon termination or expiration (without acquisition of a successor franchise) of this Agreement, you will immediately cease to use in any business or otherwise the Confidential Information disclosed to you pursuant to this Agreement and will return to us, at your expense, all copies of the Operations Manual, our curriculum, any proprietary software and other materials containing our proprietary information which have been loaned to you by us. Further, you shall deliver to us and not retain any copies of all customer lists and all other customer data, and other information and records regarding the customers. You expressly and specifically acknowledge and agree that the customer data and records acquired during the term of the franchise are valuable property rights which you may use during the term of this Agreement, but which belong to us in the event of expiration or termination of the Franchise Agreement for any reason;

**D. Cease Operations.** Upon termination or expiration of this Agreement, you shall immediately cease to operate your PetU Business at the Facility and any Customers' Homes under this Agreement, either as a franchised or as a non-franchised facility, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of the Company.

**E. Assignment of Lease.** Upon termination or expiration of this Agreement, we have the right but not the obligation to require you to immediately assign to us your interest in any lease then in effect for the premises of your Facility. On the later of the execution of this Agreement or the date you execute a lease for the Facility, you shall execute the Collateral Assignment of Lease attached hereto as Exhibit 4, have such document signed by the lessor, and deliver the signed document to us.

**F. De-Identification of Facility.** Upon termination or expiration of this Agreement, you agree, in the event you continue to operate or subsequently begin to operate any other business (subject to any restrictions against doing so provided in this Agreement), not to use any reproduction, counterfeit, copy or colorable imitation of the Marks or trade dress either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute our exclusive rights in and to the Marks and further agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us so as to constitute unfair competition. If we do not opt to take assignment of the lease for the Facility upon the expiration or termination of this Agreement, you shall immediately make such modifications or alterations to the Facility as may be necessary to prevent any association between us or the System and any business thereon subsequently operated by you or others, and shall make such specific additional changes thereto as we may reasonably request for that purpose. In the event you fail or refuse to comply with the requirements of this Paragraph, we shall have the right to enter upon the premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at your expense, which expense you agree to pay upon demand.

**G. Purchase of Assets.** Upon termination or expiration of this Agreement, we shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase for cash any or all furniture, fixtures, equipment, products, supplies, and all items bearing the Marks, at your cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, an appraiser shall be designated by us, and his determination shall be binding. If we elect to exercise any option to purchase herein provided we shall have the right to set off all amounts due from you under this Agreement, and the cost of the appraisal, if any, against any payment therefore.

**H. Covenants.** Upon termination or expiration of this Agreement, you shall comply with the covenants contained in Section 16 of this Agreement.

**I. Continuing Obligations.** All obligations of the Company and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

**16. POST-TERM COVENANT NOT TO COMPETE.**

**A. Covenant Not To Compete.** Upon assignment, termination or expiration (without acquisition of a successor franchise) of this Agreement, you (and your Owners) agree that for a period of two (2) years, commencing on the effective date of termination or expiration, or the date on which you cease to conduct the business conducted pursuant to this Agreement, whichever is later (the "Commencement Date"), you (and your Owners) will not:

(1) have any direct or indirect interest as an owner, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in (a) any business selling services or products substantially similar to the PetU Business being offered as of the date of termination or expiration (except other the PetU Businesses operated pursuant to franchise agreements with us), which is located (i) within ten (10) miles of the Facility operated by you under this Agreement or (i) within ten (10) miles of the Facility of any other then existing PetU Business, or (b) any entity which is granting franchises or licenses or entering into joint venture relationships for any business which offers products or services similar to those offered by a PetU Business, other than the ownership of securities traded on a stock exchange or on the over-the-counter market that represent five percent (5%) or less of that class of securities.

(2) directly or indirectly divert or attempt to divert any former customer of your PetU Business to any competitive business;

(3) employ or seek to employ any person employed by Company or by any other PetU Business, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment; and

(4) directly or indirectly, solicit or sell services or products to any former customer of your PetU Business or any Third Party Site.

The ownership of five percent (5%) or less of a publicly traded company will not be deemed to be prohibited by this paragraph.

**B. Court Modification of Agreement.** You agree that this form of Agreement is prepared for use in many jurisdictions with differing public policies and that such public policies change. Accordingly, you agree that the prevailing non-competition restrictions set forth above may be modified by a Court to the extent necessary to make the non-competition agreements valid and enforceable against you.

**C. Enforcement of Covenants Not to Compete.** You acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to the Company for which no adequate remedy at law will be available. Accordingly, you hereby acknowledge that the Company may seek to obtain the entry of an injunction prohibiting any conduct by you or your Owners in violation of the terms of the covenants not to compete set forth in this Agreement. You expressly agree that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through your unlawful utilization of the Company's Confidential Information. Further, you expressly agree that the existence of any claims you may have against the Company, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Company of the covenants not to compete set forth in this Agreement. You further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by the Company in connection with the enforcement of those covenants not to compete set forth in this Agreement.

## **17. ENFORCEMENT.**

**A. Invalid Provisions; Substitution of Valid Provisions; Severability.** To the extent that any provision of this Agreement is deemed unenforceable, you agree that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that provision under the laws applied in the forum in which we are seeking to enforce it.

If any lawful requirement or court order of any jurisdiction: (1) requires a greater advance notice of the termination or decision not to grant a successor franchise of this Agreement than is required under this Agreement, or the taking of some other action which is not required by this Agreement; or (2) makes any provision of this Agreement or any specification, standard or operating policy or procedure we prescribed invalid or unenforceable, the advance notice and/or other action required or revision of the specification, standard or operating policy or procedure will be substituted for the comparable provisions of this Agreement in order to make the modified provision enforceable to the greatest extent possible. You agree to be bound by the modification to the greatest extent lawfully permitted. No modification will impact the operation of, or have any other effect upon, any other terms, provisions, and/or covenants of this Agreement.



The provisions of this Agreement are deemed to be severable. The parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement.

**B. Waiver of Obligations/Approvals and Consents.** Either you or the Company may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other party under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you must make a timely written request for it. Our approval or consent will not be valid unless it is in writing.

We make no warranties or guaranties upon which you may rely, and we assume no liability or obligation to you, by virtue of granting any waiver, approval or consent, or by reason of any neglect, delay or denial of any request for a waiver, approval or consent. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to our continuing review, and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days prior written notice.

Neither you nor the Company will be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate the Franchise prior to the expiration of its terms), by virtue of: (i) any custom or practice of the parties at variance with the terms hereof; (ii) any failure, refusal or neglect of either of us to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder, including, without limitation, any mandatory specification, standard or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to other PetU Businesses; or (iv) the acceptance by us of any payments due from you after any breach of this Agreement.

Neither you nor the Company will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform our respective obligations results from: (i) transportation shortages or inadequate supply of labor, material or energy beyond the control of the parties, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (ii) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (iii) acts of God; (iv) acts or omissions of the other party; (v) fires, strikes, embargoes, war, riot or acts of terrorism; or (vi) any other similar event or cause. Any delay resulting from any of the causes set forth above will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

**C. Arbitration; Mediation.** Except as qualified below, any dispute between you and

us and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees or owners arising under, out of, in connection with or in relation to this Agreement, any lease for the Facility or approved location, the parties' relationship, the Facility, our Standards, or the scope or validity of the arbitration obligations under this Section must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be arbitrated in accordance with the then-current rules and procedures and under the auspices of the American Arbitration Association ("AAA"). Any arbitration must be on an individual basis, and not as part of a consolidated, common, or class action, and you and/or your Owners waive any right to proceed on a consolidated, common, or class basis. Multiparty arbitration is specifically excluded, and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any claim or other proceeding involving third parties. In the event a court or arbitrator determines that this exclusion of multiparty arbitration (including class arbitration) is unenforceable, then this entire commitment to arbitrate will be null and void and the parties must submit all claims to the jurisdiction of the courts. Arbitration shall take place at the AAA office nearest Company's principal place of business. The arbitrators must follow the law and not disregard the terms of this Agreement. Any arbitrator must have at least five years' experience in franchising or in franchise law.

Any unappealed decision of the arbitrator(s) will be final and binding on all parties to the dispute; however, the arbitrator(s) shall have no authority to: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; (iii) certify a class or consolidate an action, or (iv) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any court of competent jurisdiction.

We and you agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under this Agreement or applicable law, whichever expires first. We and you further agree that, in connection with any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with Paragraph 18.J. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration under this Article 17 without the prior written consent of both parties. The provisions of this Article are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any award rendered by the arbitrator(s) may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules in effect as of the Effective Date of this agreement ("Appellate

Rules”). Any award will, at a minimum, be a reasoned award. The award will not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an award, as defined by Rule A-3 of the existing Appellate Rules, by filing a notice of appeal with any AAA office. The appeal tribunal may affirm, reverse, or modify the award of the arbitrator(s), or return the matter to the arbitrator(s) for further action. A final award may be entered once the appeal process is complete or the time for filing an appeal has expired, and a judgment may be entered upon the arbitration award in accordance with the procedures identified above.

Before the filing of any arbitration, the parties agree to mediate any dispute that does not include injunctive relief or specific performance actions covered under Paragraph 17.D, provided that the party seeking mediation must notify the other party of its intent to mediate prior to the termination of this Agreement. Mediation will be conducted by a mediator or mediation program agreed to by the parties and will take place in the county of Company’s then current principal place of business. Persons authorized to settle the dispute must attend any mediation session. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within thirty (30) days of the notice from the party seeking to initiate the mediation procedures. If not resolved within thirty (30) days, the parties are free to pursue arbitration.

**D. Injunctive Relief.** Notwithstanding Paragraph 17.C., the parties agree that the following claims will not be subject to arbitration or mediation: (i) any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party’s tangible or intangible property, brought at any time, including without limitation, prior to or during the pendency or any arbitration proceeding initiated under Paragraph 17.C.; or (ii) any action in ejectment or for possession of any interest in real or personal property; or (iii) our decision in the first instance to issue a notice of default and/or notice of termination, or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between us.

**E. Cumulative Remedies.** The rights and remedies specifically granted to either you or us by this Agreement will not be deemed to prohibit either of us from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

**F. Governing Law/Consent to Jurisdiction.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or any other applicable federal law, this Agreement and the PetU will be governed by the laws of the state of Company’s then current principal place of business, except that the provisions of any franchise law of such state shall not apply unless the jurisdictional requirements of said law have been met independently of this provision.

You agree that we may institute any action against you arising out of or relating to this Agreement in any state or federal court of general jurisdiction over the county of Company’s then current principal place of business, and you (and your Owners) irrevocably submit to the exclusive jurisdiction of such

court and waive any objection you may have to either the jurisdiction or venue of such court. You agree to the exclusive jurisdiction of such courts and agree not to sue us regarding any matter relating in any way to this Agreement except in such courts.

**H. WAIVER OF JURY TRIAL.**

Each party irrevocably waives trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

**I. LIMITATIONS OF CLAIMS**

Any claim concerning the PetU Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within two (2) years from the date on which you or Company knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

**J. LIMITATION OF DAMAGES**

You and Company each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Paragraph 18.K. herein.

**K. Costs and Attorneys' Fees.** If a claim for amounts owed by you to Company or its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if you or Company is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, expert witness fees, court costs and other expenses of litigation, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

**L. Binding Effect.** This Agreement is binding on and will inure to the benefit of our successors and assigns and will be binding on and inure to the benefit of your successors and assigns, and if you are an individual, on and to your heirs, executors and administrators.

**M. Entire Agreement; Modifications.** This Agreement, together with the introduction and exhibits and attachments to it and the Operations Manual and all other written standards, specifications or policies issued by Company, constitute the entire agreement between us, and there are no other oral or written understandings or agreements between us concerning the subject matter of this Agreement. Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. Except for modifications permitted to be made unilaterally by us, this Agreement may be modified only by written agreement signed by both you and us.

**N. No Liability to Others; No Other Beneficiaries.** We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement, and no other party will have, or is intended to have, any rights because of this Agreement. We do not warrant that the obligations of this Agreement have been agreed to by or will be enforced against any of our other franchisees.

**O. Construction.** The headings of the several sections and paragraphs of this Agreement are for convenience only and do not define, limit or otherwise affect the meaning or construction of any provision.

The term "you" or "Franchisee" as used in this Agreement is applicable to one or more persons or an entity, as the case may be; the term "entity" means any non-human entity created at law, including, without limitation, corporations, partnerships and limited liability companies, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Principal(s) of Franchisee under this Agreement, their obligations and liabilities to us will be joint and several. References to the "Franchisee" and assignee which are applicable to an individual or individuals mean the direct or indirect owner(s) of the equity or operating control of the Franchisee or the assignee, if the Franchisee or the assignee is an entity.

Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you.

The term "affiliate" as used in this Agreement is applicable to any company directly or indirectly owned or controlled by us, or under common ownership with us, or that directly or indirectly owns or controls us, that owns or operates the PetU Businesses, sells products used in connection with the operation of a PetU Business, is otherwise associated with the Marks and System, or otherwise transacts business with you.

Time is of the essence in this Agreement.

**P. Anti-Terrorism Laws.** You and your Owners agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee, you and your Owners certify, represent, and warrant that none of your property or interest is subject to being "blocked" under any of the Anti-Terrorism Laws and that your and/or your Owners are not otherwise in violation of any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" means the USA PATRIOT Act or similar laws, presidential executive orders, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing in or in any way relating to terrorist acts and acts of war. You and your Owners acknowledge and agree that any violation of the Anti-Terrorism Laws by any of you or your employees or any "blocking" of any of your assets under the Anti-Terrorism laws shall constitute grounds for immediate termination of this Agreement and any other agreement you shall have entered with us or its affiliates, in accordance with the termination provisions of this Agreement.

**Q. Electronic Signature and Delivery.** This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

**R. Liquidated Damages.** Company shall have the right to impose liquidated damages against you in the following events: (a) you terminate this Agreement without good cause, (b) we terminate this Agreement based on your material breaches under this Agreement, (c) you abandon the PetU Business, which for purposes of this Section is failing to open or operate the PetU Business for more than five (5) consecutive days, (d) you lose possession of the premises of the PetU Business and fail to find a new location and to re-open the PetU Business; or (e) you transfer an interest in the PetU Business or the ownership of PetU Business or of your assets or the PetU Business (or any interest therein) without fully complying with Article 13 of this Agreement, whether or not we terminate this Agreement. The amount of liquidated damages shall be equal to (i) one hundred and fifty-six (156) times (ii) the average Gross Revenues of your PetU Business during the one hundred fifty-six (156) week period immediately preceding the date of termination (or if you have been in business less than one hundred fifty-six (156) weeks, then during the entire period Franchisee has been in business), times (iii) six percent (6%). This remedy is in addition to Company's other rights and remedies set forth in this Agreement. The liquidated damages are not a penalty or forfeiture, but are a reasonable measure of damages where the exact amount of actual damages would be difficult to ascertain. You also agree to pay our costs and attorney's fees in connection with enforcing this Liquidated Damages provision.

## **18. NOTICES AND PAYMENTS.**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operations Manual will be deemed to be delivered at the time delivered by hand, one (1) business day after deposit within commercial overnight courier or three (3) business days after placement in the U.S. Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified or to any other place designated by either party, or on the date of receipt of transmission of an e-mail from us on the condition that we also send a hard copy of the notice by U.S. Mail on the same date the e-mail is sent to you.

All payments and reports required by this Agreement must be directed to us at the address of which you are notified from time to time, or in such other manner or to such other persons and places as we may direct from time to time.

IN WITNESS WHEREOF the parties hereto have executed, sealed and delivered this Agreement in counterparts on the dates set forth below each signature.

**PETU FRANCHISING, INC.**

**FRANCHISEE:**

\_\_\_\_\_

A Wisconsin corporation

A \_\_\_\_\_

By \_\_\_\_\_

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

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

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

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

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

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_







**Attachment A to Exhibit 1  
Facility Location and Territory**

**EXHIBIT 2 TO THE  
FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given by \_\_\_\_\_

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In consideration of, and as an inducement to, the execution of that certain Franchise Agreement on this date (the "Agreement") by PETU FRANCHISING, INC. (the "Company"), each of the undersigned hereby personally and unconditionally, jointly and severally: (a) guarantees to the Company, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("Franchisee") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each of the undersigned waives: (1) acceptance and notice of acceptance by the Company of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several with all other current and future guarantors of Franchisee's obligations; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability will not be contingent or conditioned upon pursuit by the Company of any remedies against Franchisee or any Other person; (4) such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Company may from time to time grant to Franchisee or to any Other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) this Guarantee shall apply to any amounts recovered from Company as a preference, fraudulent transfer or otherwise in a bankruptcy or similar proceeding.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

% OF INTEREST IN FRANCHISEE

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
Dated: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
Dated: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
Dated: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
Dated: \_\_\_\_\_

\_\_\_\_\_

(Percentage must equal 100)

**EXHIBIT 3 TO THE  
FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF FRANCHISEE'S  
TELEPHONE NUMBERS AND DIGITAL MARKETING ACCOUNTS**

Franchisee (Assignor): \_\_\_\_\_, whose business address is \_\_\_\_\_, in consideration of the granting of a franchise to Assignor contemporaneously herewith, and other valuable consideration paid by PETU FRANCHISING, INC. (Franchisor/Assignee), having its principal place of business at 8200 S. 68<sup>th</sup> St., Franklin, WI 53132, hereby assigns unto the Franchisor/Assignee (i) all telephone numbers and listings utilized by Assignor in the operation of Assignor's PetU Business at Assignor's address above-referenced, and (ii) all Digital Marketing accounts and all Digital Marketing passwords and log-in information (as "Digital Marketing" is defined in this Franchise Agreement). Assignor acknowledges that PetU and associated marks are solely the property of Franchisor/Assignee. As such, Assignor's right to use any telephone numbers and directory listings and Digital Marketing associated with PetU trademarks and service marks was solely due to a limited license granted by Franchisor/Assignee in connection with the Franchisor/Assignee's trademark(s)/service mark(s) pursuant to a Franchise Agreement. Once said license has expired and/or terminated pursuant to the expiration or termination of the Franchise Agreement, Assignor has no right to the telephone number or directory listing or Digital Marketing associated with the Franchisor/Assignee's trademark, including, but not limited to PetU.

This Assignment shall constitute authorization to the appropriate telephone company to change and transfer to Franchisor/Assignee all of Assignor's rights in and to the use of said business telephone lines and Assignor hereby irrevocably appoints and authorizes Franchisor/Assignee to act as Assignor's attorney-in-fact and hereby empowers Franchisor/Assignee to execute such instruments in the Assignee's name in order to give full effect to this Assignment and to effectuate any transfer.

Upon the Assignment, Franchisor/Assignee hereby assumes the performance of all of the terms, covenants and conditions of the third parties holding such accounts with the full force and effect as if the Franchisor/Assignee has been originally issued such telephones, telephone numbers, telephone listings and Digital Marketing accounts.

**ASSIGNOR (Franchisee):**

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

**FRANCHISOR/ASSIGNEE:  
PETU FRANCHISING, INC.**

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

**EXHIBIT 4 TO THE  
FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF LEASE**

**COLLATERAL ASSIGNMENT OF LEASE**

KNOW ALL MEN BY THESE PRESENTS, that \_\_\_\_\_, a \_\_\_\_\_ ("Assignor"), does hereby assign, transfer and set over unto PETU FRANCHISING, INC., an Wisconsin corporation (the "Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease or sublease (collectively, the "Lease") dated \_\_\_\_\_, 20\_\_\_\_ between Assignor, as tenant, and \_\_\_\_\_ as landlord or sublessor, for the premises 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 shall elect to assume the rights and obligations of Assignor under the Lease. Assignee shall make such election by mailing written notice of such election to Lessor and Assignor by United States Certified Mail, duly addressed and posted or by reputable overnight commercial delivery service.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and its interests therein and that Assignor has not previously and is not obligated to, assign or transfer any of its interests in the Lease or the premises demised thereby.

This Assignment is given to Assignee to secure the faithful performance by Assignor of the terms and conditions of the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, between Assignor and Assignee (the "Franchise Agreement"). Upon a default by Assignor under the Lease, a default by Assignor under the Franchise Agreement, or the expiration or termination of the Franchise Agreement, Assignee shall have the right and is hereby empowered, upon ten (10) days' notice to the Assignor, to assume the above-referenced Lease and take possession of the premises.

Further, Assignor agrees to indemnify Assignee against and to reimburse Assignee for all valid claims, obligations, losses, damages and taxes occurring or accruing on or prior to the date upon which Assignee assumes the Lease and for all costs reasonably incurred by Assignee in defense of any such valid claim brought against it or in any action concerning such a claim in which Assignee is made a party, including without limitation, reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs and other litigation expenses to include travel and living expenses.

This Assignment shall be in full force and effect for the full term of the Lease hereinabove described and any renewal or extension terms, including any such renewal pursuant to the terms of the Lease. Upon expiration of the Lease, this Assignment shall be null and void.



IN WITNESS WHEREOF, Assignor and Assignee have affixed their signatures on the dates set forth below each signature.

PETU FRANCHISING, INC.  
A Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Dated: \_\_\_\_\_

**CONSENT AND AGREEMENT OF LESSOR**

The undersigned Lessor under the Lease described above hereby:

(a) Consents to the foregoing Collateral Assignment of Lease executed by \_\_\_\_\_ (“Assignor”) in favor of PETU FRANCHISING, INC. (“Assignee), and agrees that if Assignee takes possession of the leased premises and confirms to Lessor the assumption of the Lease by Assignee as lessee under it in writing, Lessor shall recognize Assignee as lessee under the Lease, provided that Assignee cures the defaults of Assignor under the Lease within thirty (30) days of notice to Assignee that Assignor has not cured its defaults; and

(b) Agrees that Assignee may further assign the Lease to a person, firm or corporation who has been granted a franchise by Assignee and who agrees to assume the lessee's obligations under the Lease and who is reasonably acceptable to Lessor, and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, lessee or otherwise.

Dated: \_\_\_\_\_

LESSOR: \_\_\_\_\_  
A \_\_\_\_\_

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

**EXHIBIT 5 TO THE  
FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS TRANSFER AUTHORIZATION**

**ELECTRONIC FUNDS TRANSFER AUTHORIZATION FORM**

As a duly authorized signer on the financial institution account identified below of the undersigned Franchisee, I authorize PETU FRANCHISING, INC. (“Company”) to initiate weekly electronic fund transfer debits from the account for payments due or when applicable, apply electronic funds transfer credits to the same. Said debits may be for Royalty Fees, Brand Development Fund contributions, technology fees, software license fees, interest, late fees, and any other amounts Franchisee owes to the Company or its affiliates pursuant to the Franchise Agreement between Franchisee and Company, and in amounts required by the Franchise Agreement. The dollar amount to be debited for each transfer will vary.

Currently, PETU FRANCHISING, INC. is initiating weekly debits on the Monday of every calendar week for payment of the Royalty Fee, Brand Development Fund contributions, technology fees, software license fees, interest, late fees, and any other amounts then due, unless that day falls on a holiday, in which case the debit will be initiated the following business day. The dates and intervals for initiating debits for amounts due under the Franchise Agreement may be changed upon delivery of notice to Franchisee.

If any such electronic debit(s) should be returned by my financial institution as unpaid (Non-Sufficient or Uncollected Funds), I understand that PETU FRANCHISING, INC. shall be entitled to collect interest and late fees as provided in the Franchise Agreement, and to debit same from this account once there are sufficient funds to cover it.

This authorization is to remain in full force and effect until Company has received written notification of its termination in such time and in such manner as to afford Company a reasonable opportunity to act on it, and to obtain a replacement Electronic Funds Transfer Authorization from Franchisee for a replacement account. Any such notice should be sent to the following address:

PETU FRANCHISING, INC.  
Attn: Angela Trzcinski  
8200 S. 68<sup>th</sup> St.  
Franklin, WI 53132

Franchisee is responsible for, and shall pay on demand, all costs or fee charged by the financial institution holding the account relating to the handling of debits pursuant to this authorization. I understand and authorize all of the above.

FRANCHISEE: \_\_\_\_\_

AUTHORIZING SIGNATURE: \_\_\_\_\_

PRINT NAME AND TITLE: \_\_\_\_\_

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

BUSINESS ADDRESS: \_\_\_\_\_

**Financial Institution Account Identifying Information:**

Enter financial institution account information in the fields below or attach a voided check.

<b>Financial Institution:</b>	<b>Branch:</b>
<b>City:</b>	<b>State &amp; Zip Code:</b>
<b>Transit / ABA # (Routing #):</b>	<b>Account #:</b>

**EXHIBIT 6 TO THE  
FRANCHISE AGREEMENT**

**STATEMENT OF OWNERSHIP**

**STATEMENT OF OWNERSHIP**

Name of Entity and, if applicable, Trade Name: \_\_\_\_\_  
\_\_\_\_\_

Form of  
Ownership (Check  
One)

Individual    \_\_\_ Partnership    \_\_\_ Corporation    \_\_\_ LLC    \_\_\_ Other: \_\_\_\_\_

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: \_\_\_\_\_

Management (managers, officers, board of directors, etc.):

Name	Title

Owners (Members, Stockholders, Partners)

Name	Address	Percentage Owned

Operating Owner (as defined in Section 4(a)(3)) designated by Franchisee: \_\_\_\_\_

Franchisee acknowledges this Statement of Ownership applies to the PetU Business authorized under the Franchise Agreement. Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

FRANCHISEE: \_\_\_\_\_

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

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

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

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

## Exhibit C

### FRANCHISEE DISCLOSURE ACKNOWLEDGEMENT STATEMENT

As you know, PETU FRANCHISING, INC. ("Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a PetU Franchised Business. The purpose of this Statement is to determine whether Franchisor has complied with all applicable delivery and waiting periods and whether any statements or promises were made to you, either orally or in writing, that Franchisor was not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received the PetU Franchise Disclosure Document which was provided to you?  
Yes \_\_\_ No \_\_\_\_\_
  
2. On what date did you receive the Franchise Disclosure Document?  
\_\_\_\_\_
  
3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?  
Yes \_\_\_ No \_\_\_
  
4. Before receiving the Franchise Disclosure Document, were you advised by the Franchisor of the formats in which the Franchise Disclosure Document is made available to prospective franchisees and any prerequisites or conditions for obtaining the disclosure document in a particular format?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
5. Have you received the Franchise Agreement and each exhibit attached to it?  
Yes \_\_\_ No \_\_\_
  
6. Have you received execution copies of the Franchise Agreement that were completed with all of the blanks filled in?  
Yes \_\_\_ No \_\_\_  
  
If so, on what date did you receive the completed Franchise Agreement?  
\_\_\_\_\_
  
7. Do you understand that you will operate the PetU Franchised Business as an independent business owner and that you will not be an employee of Franchisor?  
Yes \_\_\_ No \_\_\_

You understand that your answers are important to us and that we will rely on them in making a decision to award a PetU franchise. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions and that you fully understand and accept the business risks involved in the purchase of a franchise business.



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

\_\_\_\_\_  
Prospective Franchisee

**Exhibit D**

**FINANCIAL STATEMENTS**

12/31

July 31, 2023  
PetU Franchising, Inc.  
8200 S 68th St  
Franklin, WI 53132

R. J. Nolan & Associates, Inc.  
4262 S 108th St  
Milwaukee, WI 53228  
414-425-5690

August 28, 2023

PetU Franchising, Inc.  
Angela Trzcinski  
8200 S 68th St  
Franklin, WI 53132

We have compiled the accompanying Balance Sheet of PetU Franchising, Inc. as of July 31, 2023, and the related Income Statement for the period ended July 31, 2023, along with the enclosed supplemental information (if any).

A compilation is limited to presenting in the form of financial statement information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The financial statements have been prepared on the tax basis of accounting, and are intended for management's use.

R.J. Nolan & Associates, Inc.  
Nolan Accounting Center

**PetU Franchising, Inc.**  
**Balance Sheet**  
**July 31, 2023**

<b>Assets</b>		
<b>Current Assets</b>		
101 Cash in Bank	\$ 41,105.88	
<b>Total Current Assets</b>		\$41,105.88
<b>Fixed Assets</b>		
161 Startup Costs	55,852.37	
<b>Total Fixed Assets</b>		\$55,852.37
<b>Total Assets</b>		\$ 96,958.25
<b>Liabilities</b>		
<b>Long Term Liabilities</b>		
251 Pet University LLC Loan	\$ 55,852.37	
<b>Total Long Term Liabilities</b>		\$55,852.37
<b>Total Liabilities</b>		55,852.37
<b>Capital</b>		
280 Common Stock	10,000.00	
285 Additional Paid In Capital	31,114.88	
299 Current Profit/(Loss)	(9.00)	
<b>Total Capital</b>		\$41,105.88
<b>Total Liabilities and Capital</b>		\$ 96,958.25

For Management Use Only//Prepared without Audit

**Nolan Accounting Center**

**PetU Franchising, Inc.**  
**Income Statement**  
**For The Seven Months Ended July 31, 2023**

	July 2023		7 Months Year to Date	
	\$ Amount	% Sales	\$ Amount	% Sales
<b>Expense</b>				
513 Bank Fees	3.00		9.00	
<b>Total Expense</b>	\$3.00		\$9.00	
<b>Net Income</b>	(\$3.00)		(\$9.00)	

For Management Use Only//Prepared without Audit

***Nolan Accounting Center***

**PetU Franchising, Inc.**  
**Comparative Statement of Income**  
**For the Seven Months Ended July 31, 2023**

	\$ Amount		% Sales		\$ Amount		% Sales	
	1 Month Ended Jul 31		1 Month Ended Jul 31		7 Months Ended Jul 31		7 Months Ended Jul 31	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Expense</b>								
513 Bank Fees	3.00				9.00			
<b>Total Expense</b>	<u>3.00</u>				<u>9.00</u>			
<b>Net Income</b>	<u><u>(3.00)</u></u>				<u><u>(9.00)</u></u>			

For Management Use Only//Prepared without Audit

***Nolan Accounting Center***

**PetU Franchising, Inc.  
Income Statement Annual  
For The Seven Months Ending July 31, 2023**

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Total
<b>Expense</b>													
513 Bank Fees					3	3	3						9
<b>Total Expense</b>					3	3	3						9
<b>Net Income</b>					(3)	(3)	(3)						(9)

For Management Use Only//Prepared without Audit

**Nolan Accounting Center**



**PetU Franchising, Inc.**  
**Comparative Statement of Income**  
**For The Period(s) Ended**

	<b>7 Months</b>	<b>7 Months</b>	<b>7 Months</b>		
	<b>07/31/2023</b>	<b>07/31/2022</b>	<b>07/31/2021</b>		
	<b>\$ Amount % Sales</b>	<b>\$ Amount % Sales</b>	<b>\$ Amount % Sales</b>		
<b>Expense</b>					
513 Bank Fees	9.00				
<b>Total Expense</b>	9.00				
<b>Net Income</b>	(9.00) 0.0	0.00 0.0	0.00 0.0		

For Management Use Only//Prepared without Audit

***Nolan Accounting Center***

**Exhibit E**

**LISTS OF CURRENT AND FORMER FRANCHISEES**

None.

**Exhibit F**

**MULTI-UNIT DEVELOPMENT AGREEMENT**



MULTI-UNIT DEVELOPMENT AGREEMENT

PETU FRANCHISING, INC.

with

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

## TABLE OF CONTENTS

1.	GRANT.....	3
2.	FEES .....	4
3.	DEVELOPMENT OBLIGATIONS .....	5
4.	TERM .....	6
5.	DUTIES OF THE DEVELOPER .....	6
6.	PROPRIETARY MARKS/CONFIDENTIAL INFORMATION.....	6
7.	DEFAULT AND TERMINATION.....	7
8.	TRANSFERABILITY; ENTITY AS DEVELOPER .....	9
9.	POST-TERMINATION COVENANTS .....	10
10.	NOTICES.....	11
11.	INDEPENDENT CONTRACTOR AND INDEMNIFICATION.....	12
12.	DISPUTE RESOLUTION .....	12
13.	MISCELLANEOUS. ....	15
14.	SUPERIORITY OF FRANCHISE AGREEMENT.....	16
15.	OWNER GUARANTY. ....	16
16.	ACKNOWLEDGEMENTS.....	16
17.	EXECUTION OF AGREEMENT.....	17

**PETU FRANCHISING, INC.**

**MULTI-UNIT DEVELOPMENT AGREEMENT**

This Multi-Unit Development Agreement ("this Agreement") is entered into by and between PETU FRANCHISING, INC., a Wisconsin corporation, having its principal place of business at 8200 S. 68<sup>th</sup> St., Franklin, Wisconsin 53132 ("Franchisor", "we" or "us"), and \_\_\_\_\_, a \_\_\_\_\_ with a principal address of \_\_\_\_\_ ("Developer" or "you"). Certain provisions of this Agreement are applicable to the owners of Developer ("Owners") on whose business skill, financial capability and personal character we are relying in entering into this Agreement.

**WITNESSETH:**

WHEREAS, Franchisor is in the business of offering and selling franchises for a business that offers dog daycare, enrichment, cardio workouts, boarding, bathing, nail trimming, teeth brushing, ear cleaning and dog training services and a wide range of retail products under the name, service marks and trademarks "PetU K9 Higher Education," "PetU" and similar marks and logos (the "Marks") using certain procedures, techniques, business methods, business forms, business policies and a body of knowledge pertaining to the establishment and operation of PetU facilities (the "System").

WHEREAS, Franchisor also grants development rights to persons or entities who meet our qualifications and who are willing to undertake the investment and effort necessary to establish, develop, own and operate multiple PetU facilities in accordance with the System.

WHEREAS, you have expressed a desire to and have applied for the right to develop, own and operate a total of three (3) or more PetU facilities and Franchisor has approved your application in reliance upon all of the representations made therein and is willing to grant to Developer the right to develop multiple PetU facilities within a certain agreed upon territory on the terms and conditions set forth herein.

WHEREAS, Developer is signing simultaneously with this Agreement a Franchise Agreement for the establishment of its first PetU facility.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

**1. GRANT**

1.1 We hereby grant to you, pursuant to the terms and conditions of this Agreement, the right to obtain licenses, subject to the terms of this Agreement, to establish and operate PetU facilities ("PetU Facility") within the geographic area described in Exhibit A attached hereto and incorporated herein by this reference ("Development Area"). Notwithstanding Section 4.2 below, any and all rights in the Development Area granted to you under this Agreement expire upon the expiration of this Agreement, as defined in Section 4.1 below, or under the termination of this Agreement pursuant to Section 7 below.

1.2 You agree to be bound by the development schedule set forth in Exhibit B attached hereto ("Development Schedule"). Time is of the essence of this Agreement. Each PetU franchise must be established and operated pursuant to a separate Franchise Agreement ("Franchise Agreement") to be entered into by you (or an entity owned by your Owners) and us. Each Franchise Agreement shall be in the form of Franchise Agreement being offered by us at the time you execute the Franchise Agreement, which may differ from the form of Franchise Agreement being offered by us on the date of execution of this Agreement, except

that an addendum to the Franchise Agreement shall be entered into to incorporate payment of the Initial Franchise Fee paid pursuant to this Development Agreement. The terms and conditions of each such Franchise Agreement shall control the establishment and operation of such PetU Facility.

1.3 Except as otherwise provided in this Agreement, and as long you are in compliance with the Development Schedule and otherwise in compliance with this Agreement, we shall not establish, nor license anyone other than Developer the right to establish any PetU Facility in the Development Area prior to the expiration of the Development Schedule set forth in Exhibit B. We (and any affiliate) reserve the right to:

(a) offer and sell service and products which comprise, may in the future comprise or which do not comprise, a part of the System through any alternative distribution channels including, but not limited the Internet or similar electronic media, using the Marks (“Alternate Distribution Channels”);

(b) establish businesses which are franchised, licensed or owned by Company or any affiliate in any area as we deem appropriate or offer and sell services or products which are similar to the services and products offered under the System under trade names, trademarks, service marks, trade dress or other commercial symbols different from the Marks;

(c) acquire or be acquired by a company establishing businesses identical or similar to the PetU Business, even if the other business operates, franchises, and/or licenses competitive businesses anywhere;

(d) service a national account located within your Development Area, either ourselves or through an affiliate or another PetU, if you are not participating in any national account program the Company establishes;

(e) the right to establish and operate, and allow others to establish and operate, other Facilities and other businesses using the Marks or the Franchise System, at Captive Market Locations. “Captive Market Locations” are airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store, hotels, or other similar types of locations that have a restricted trade area located within the geographic boundaries of the Development Area; and

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

1.4 This Agreement is not a Franchise Agreement, and you shall have no right to use in any manner the System or the Marks by virtue of entering into this Agreement.

1.5 Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

## **2. FEES**

2.1 Concurrent with the execution of this Agreement, you must execute a Franchise Agreement for the first PetU Facility to be developed and pay the initial franchise fee of Forty-Two Thousand Dollars (\$42,000.00) due under said Franchise Agreement. The initial franchise fee for the second or other multiple Franchise Agreements above one shall be Thirty-One Thousand Five Hundred Dollars (\$31,500.00).

2.2 Upon the execution of this Development Agreement, you shall pay a fee (“Development Fee”) in the amount of Thirty-One Thousand Five Hundred Dollars (\$31,500.00) times the number of additional PetU Facilities to be developed after the one for which Developer is signing a Franchise Agreement

contemporaneously with this Development Agreement. The Development Fee is consideration for this Development Agreement, is fully earned by Franchisor upon execution of this Development Agreement and is non-refundable, notwithstanding any provision to the contrary contained in any Franchise Agreement. However, you will not owe us an Initial Franchise Fee for each additional Franchise Agreement for a PetU Facility executed pursuant to, and in accordance with, this Development Agreement.

Pursuant to the above paragraph and the Development Schedule, the Development Fee under this Agreement is \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

2.3 A separate Franchise Agreement shall be executed for each additional PetU Facility. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such PetU Facility.

### **3. DEVELOPMENT OBLIGATIONS**

3.1 The terms and conditions of this Agreement are contingent upon you being in full compliance with the Development Schedule. In addition, you must at all times after the opening of each PetU Facility continuously maintain in operation pursuant to each Franchise Agreement at least the number of PetU Facilities set forth in the Development Schedule, and your Owners must at all times own a majority control over the entity that owns each PetU franchise developed hereunder. You may develop and open any PetU Facility earlier than the date set forth in the Development Schedule as long as you do so in compliance with this Agreement and the applicable Franchise Agreement.

3.2 You must develop each PetU Facility in the following manner:

(a) By giving us written notice of your intention to begin development of the next PetU Facility at least thirty (30) days before the execution of the Franchise Agreement for the applicable facility;

(b) By submitting to us a description of the proposed site, together with a letter of intent in a form approved by us or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site;

(c) By executing the then-current form of the Franchise Agreement for the applicable facility at the approved site and complying with its terms. We acknowledge that the franchisee for each Franchise Agreement may be a separate entity owned by your Owners.

(d) By executing a lease, in a form approved by us, or purchase agreement for the proposed site; and

(e) By meeting all of the requirements for developing and opening the PetU Facility under the terms of the applicable Franchise Agreement.

3.3 We will be obligated to execute the Franchise Agreement only if (i) you continue to maintain the requisite knowledge, experience, skills, and financial resources to perform as a franchisee, (ii) you are in compliance with this Agreement, including but not limited to compliance with the Development Schedule and in compliance with the in-term covenants set forth in Paragraph 6.4, (iii) you (and/or an affiliate) are in compliance any and all existing Franchise Agreements between us.

3.4 Subject to our prior written approval, you may develop and open more PetU Facilities in the Development Area than you are required to develop under the Development Schedule.



3.5 At Franchisor's request, Developer shall provide to Franchisor a periodic report of Developer's activities and progress in developing and establishing PetU franchises under this Agreement. The reports shall be submitted in the form and in the manner specified by Franchisor.

#### **4. TERM**

4.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement shall expire on the date you sign a Franchise Agreement for the last franchise to be developed under this Agreement. The term of this Agreement is not related or affected by the term of any franchise agreement, lease, or other agreement related to any PetU Facility. This Agreement does not contain or create any right to renewal. Notwithstanding Section 4.2 below, any and all rights in the Development Area granted to you under this Agreement expire upon the expiration of this Agreement.

#### **5. DUTIES OF THE DEVELOPER**

5.1 You shall perform the following obligations:

(a) You shall comply with all terms and conditions set forth in this Agreement.

(b) You shall comply with all of the terms and conditions of each Franchise Agreement including, without limitation, the operating requirements specified in each Franchise Agreement; however, we shall determine what, if any, initial training at our headquarters will be required of your Owners and managers in connection with the second or any subsequent Franchise Agreements.

(c) You shall comply with the non-disclosure and non-competition obligations under Section 6 of this Agreement.

#### **6. PROPRIETARY MARKS/CONFIDENTIAL INFORMATION**

6.1 Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that under this Agreement we do not grant you any right to use the Marks. Any right to use the Marks is granted under the individual franchise agreements executed by you in connection with this Agreement. You must not use the Marks, or any portion of any Mark or any name confusingly similar to any Mark as part of your business entity name.

6.2 Confidential Information. For purposes of this Agreement, the term "Confidential Information" means information relating to Franchisor or the System that is not generally available to the public, including: (1) methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the development, operation, and franchising of the PetU Businesses, including our dog training and behavior modification methods; (2) sources of supply, purchasing, and methods of providing the services and products sold by PetU Businesses; (3) knowledge of sales and profit performance of any one or more the PetU Businesses; (4) knowledge of test programs, concepts or results relating to new services and products; (5) advertising, marketing and promotional programs; (6) equipping of the Facility; (7) the selection and training of the PetU Business managers and other employees; (8) the contents of the Operations Manual or other written materials provided to you; (9) any customized software or proprietary software developed by or for us for the System; and (10) all customer information, lists, data and records. Confidential Information does not include information Developer can demonstrate came to Developer's attention through legal methods other than by disclosure by Franchisor, or which, at the time of disclosure thereof by Franchisor to Developer, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Developer by Franchisor, becomes a part of the public domain, through publication or communication by others.

6.3 Non-disclosure Agreement. You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development of PetU Facilities under this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition, a breach of this Agreement and copyright infringement. You acknowledge and agree that the Confidential Information belongs to us and our affiliate, is proprietary information, and may contain trade secrets belonging to us and our affiliate and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree herein, that you: (1) will not use the Confidential Information during and after the term of this Agreement in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to your employees and the use of non-disclosure and/or non-competition agreements we may prescribe for your employees who have access to the Confidential Information. Upon our request, you must provide us with copies of signed non-disclosure and/or non-competition agreements signed by any Owners, managers or employees. The restrictions on your disclosure and use of the Confidential Information will not apply to the following: (a) information, processes, or techniques which are generally known and used in the pet care services industry (as long as the availability is not because of a disclosure by you) and (b) disclosure of the Confidential Information in legal proceedings when you are legally required to disclose it and you have first given us the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

6.4 In-Term Non-Competition Agreement. You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information between you and us if you or your Owners were permitted to hold interests in any competitive businesses, as described below. You also acknowledge that we have entered into this Agreement with you in part in consideration of, and in reliance on, your agreement to deal exclusively with us. Therefore, during the term of this Agreement, neither you, nor any Owner, may, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with, any person or legal entity, own, maintain, operate, engage in, consult with or have any interest in (as disclosed or beneficial owner) any business which offers products or services which are the same as, or similar to, those offered by a PetU Facility (other than through a franchise agreement with Franchisor), or any entity which is granting franchises or licenses for any business which offers products or services which are the same as, or similar to, those offered by a PetU Facility. (The ownership of five percent (5%) or less of a publicly traded company will not be deemed to be prohibited by this paragraph.) Further, during the term of this Agreement, you will not (1) divert customers or business from any PetU Facilities to any other business or (2) hire any employees of ours or our affiliates.

## **7. DEFAULT AND TERMINATION**

7.1 The right to open PetU Facilities has been granted in reliance on your representations and warranties, and strictly on the conditions set forth in this Development Agreement including, without limitation, the condition that you comply strictly with the Development Schedule.

7.2 You shall be in default under this Agreement, and all rights granted herein to you shall automatically terminate without notice or an opportunity to cure if:

(a) you are adjudicated bankrupt, become insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of your

property or any part thereof is appointed by a court of competent authority, or if you make a general assignment for the benefit of its creditors;

(b) if a final judgment against your business assets remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed);

(c) if execution is levied against your business or property;

(d) if suit to foreclose any lien or mortgage against Developer's premises or business assets is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by you;

(e) upon the dissolution of the entity that is Developer is dissolved, or upon the death of one or more of your Owners;

(f) Developer or any of its shareholders, members, managers, partners, officers, directors or guarantors, is indicted for, convicted of, or pleads guilty to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated with the System and the Marks, or Franchisor's interest in the System or the Marks; or

(g) Developer, or any of its shareholders, members, managers, partners, officers or directors verbally or physically assaults or abuses any officer, director, member, manager or employee of Franchisor or any of its Affiliates, or any PetU franchisee or employees of franchisees, after receiving a verbal or written warning against this conduct from Franchisor regarding this conduct.

7.3 If you (i) fail to meet any of the deadlines set forth in the Development Schedule; (ii) fail to comply with any other term and condition of this Agreement; (iii) make or attempt to make a transfer, sale or assignment of this Agreement in violation of this Agreement; or (iv) you or other entity owned by the Owners are in default under any individual Franchise Agreement with us, or of any other agreement to which we are parties; any such event shall constitute a default under this Agreement. Upon any such default, we, in our sole discretion, may do any one or more of the following:

(a) Terminate this Agreement and all rights granted hereunder to you without affording you any opportunity to cure the default effective immediately upon delivery to you of a written notice from us;

(b) Reduce the number of PetU Facilities which you have the right to establish and open pursuant to this Agreement; or

(c) Exercise any other rights and remedies which we may have under applicable law.

7.4 Upon termination or expiration of this Agreement, all remaining rights granted to you to establish and open PetU Facilities under this Agreement for which a Franchise Agreement has not been executed shall automatically be null and void. You shall have no right to establish, open or operate any PetU Facilities for which a Franchise Agreement has not been executed by us prior to the date of termination or expiration of this Agreement. Upon termination or expiration of this Agreement, we will have the right to establish ourselves or through an affiliate or grant to a third party the right to establish a PetU Facility within the Development Area as long as there is no violation of the territorial protections granted to you under

existing individual Franchise Agreements.

7.5 No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto. The terms and conditions of each Franchise Agreement must be complied with by you or your affiliate as franchisee thereunder and shall control in determining whether any default exists under such Franchise Agreement.

7.6 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

## **8. TRANSFERABILITY; ENTITY AS DEVELOPER**

8.1 This Agreement is fully assignable by us and will inure to the benefit of any assignee or other legal successor to the interest of the Franchisor herein.

8.2 You understand and acknowledge that the rights and duties set forth in this Development Agreement are personal to you and are granted in reliance upon your personal, business and financial qualifications. You have represented and hereby represent to us that you are entering into this Development Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or option rights hereunder.

8.3 Neither you nor any Owner shall, without our prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Development Agreement, the development rights granted to you hereunder, or in you. Any such proposed assignment occurring by operation of law or otherwise, including any assignment by or to any trustee in bankruptcy, without our prior written consent, shall be a material default of this Development Agreement.

8.4 Neither you nor any Owner, without our prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person or entity, all or any part of your interest in this Development Agreement or your interest in the rights granted hereby or any interest in you if you are an entity, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person or entity. Any purported assignment of any of your or any Owner's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder. Subject to Paragraph 8.5 of this Development Agreement, so long as you and your Owners, directors and officers executing this Development Agreement are in full compliance with this Development Agreement and any other agreements to which you and the Franchisor are parties, we will not unreasonably withhold our approval of an assignment or transfer, to proposed assignees or transferees if such persons or entities (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet our then applicable standards for developers, (iii) are willing to assume all of your obligations hereunder and to execute and be bound by, at our option, either (a) an assignment and assumption agreement satisfactory to use whereby the assignee assumes your obligations under this Development Agreement or (b) the then-current form of Multi-Unit Development Agreement for a term equal to the remaining term hereof, (iv) you have entered into an agreement with us agreeing that any obligations of the assignee to pay you will be subordinate to the assignee's ongoing obligations to us, including, without limitation, royalty fees, Brand Fund Development contributions, and other amounts owed to us or our affiliates and (iv) except to the extent limited or prohibited by applicable law, you and each of your Owners must execute a general release in a form satisfactory to us, of any and all claims against us or our Affiliates, shareholders, officers, directors, employees or agents. As a condition to granting our approval of any such assignment or transfer, you or the assignee or transferee to pay to us a transfer fee of Seven Thousand Five Hundred Dollars (\$7,500.00) to defray expenses incurred by us in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee

and the terms of the assignment or transfer (“Development Transfer Fee”). You will also owe a transfer fee for each undeveloped territory being assigned or transferred for which a franchise agreement has not yet been signed (“Undeveloped Territory Transfer Fee”). The Undeveloped Territory Transfer Fee for the first undeveloped territory being assigned or transferred is seventy-five percent (75%) of our then-current franchise fee. The Undeveloped Territory Transfer Fee for the second and subsequent territories being assigned or transferred is fifty percent (50%) of our then-current franchise fee. You shall pay a non-refundable deposit on the Undeveloped Territory Transfer Fee for each undeveloped territory being transferred in the amount of Five Thousand Dollars (\$5,000.00) at the time you request our written consent of the proposed transfer. The failure of you or the proposed transferee to meet in any way the conditions for transfer set forth herein shall be good cause for us to withhold our consent to any proposed transfer.

8.5 You agree that in connection with any proposed assignment or transfer hereunder, you will comply at your own expense with any applicable state and federal franchise registration and disclosure laws or rules governing the offer and sale of franchises and other laws. You further agree to indemnify us for any expense (including attorneys' fees) incurred in connection with your failure to comply with any such franchise registration and disclosure laws or other laws and to hold us and our officers, directors, shareholders and employees harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with any alleged failure on your part to comply with any such franchise registration and disclosure laws or other laws.

8.6 No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Development Agreement or in the options granted thereby, shall relieve you or your Owners of the obligations of the covenants not to compete contained in this Development Agreement except where we shall expressly authorize in writing.

## **9. POST-TERMINATION COVENANTS**

9.1 Unless otherwise specified, the term "Developer" as used in this Section 9 shall include each and every Owner of Developer.

9.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will have access to the Confidential Information. Accordingly, Developer covenants that Developer and its Owners shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or entity:

(a) own, maintain, operate, engage in, consult with or have any interest in (as disclosed or beneficial owner) any Competitive Business or any entity which is franchises, licenses or develops Competitive Businesses within the Development Area, or within a ten (10) mile radius of any existing PetU Facility, except under a validly existing Franchise Agreement with Franchisor. You acknowledge and agree that, after the date of this Agreement, other PetU Facilities may open, thereby expanding the geographical area in which you will not be able to compete with us. For purposes of this Section 9, a “**Competitive Business**” is defined as any business which offers products or services which are the same as, or similar to, those offered by a PetU Business, or any entity which is granting franchises or licenses or entering into joint venture relationships for any business which offers products or services which are the same as, or similar to, those offered by a PetU Business;

(b) directly or indirectly divert or attempt to divert any former business or customer of a PetU Facility to any competitive business; and

(c) employ or seek to employ any person employed by us or our affiliate or by any other PetU Facility franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment;

The ownership of five percent (5%) or less of a publicly traded company will not be deemed to be prohibited by this paragraph.

9.3 Court Modification of Agreement. You agree that this form of Agreement is prepared for use in many jurisdictions with differing public policies and that such public policies change. Accordingly, you agree that the prevailing non-competition restrictions set forth above may be modified by a Court to the extent necessary to make the non-competition agreements valid and enforceable against you.

9.4 Enforcement of Covenants Not to Compete. You acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you hereby acknowledge that we may seek to obtain the entry of an injunction prohibiting any conduct by you or your Owners in violation of the terms of the covenants not to compete set forth in this Agreement. You expressly agree that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through your unlawful use of the Confidential Information. Further, you expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants not to compete set forth in this Agreement. You further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by us in connection with the enforcement of those covenants not to compete set forth in this Agreement.

9.5 In addition to the foregoing covenants, you, your Owners, and/or affiliates shall be bound by and comply with the covenants contained in each Franchise Agreement entered into by them.

## 10. NOTICES

All notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by U.S. Certified mail, Return Receipt Requested, or commercial overnight delivery service to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notice to Franchisor:

PETU FRANCHISING, INC.  
8200 S. 68<sup>th</sup> St.  
Franklin, Wisconsin 53132  
Attn: Angela Trzcinski  
President  
[angela@pet-u.net](mailto:angela@pet-u.net)

Notice to Developer:

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

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and shall be deemed so delivered (i) at the time delivered by hand; (ii) one (1) business day after deposit within commercial overnight courier, (iii) three (3) business days after placement in the U.S. Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed, or (iv) on the date of transmission if an e-mail is sent on business days during business hours and there is confirmation of transmission (and if not sent during business hours, as of the next business day).

## **11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

11.1. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

11.2 Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. You agree to take such actions as shall be necessary or as directed by us to that end.

11.3 You understand and agree that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we assume no liability for, nor shall we be deemed liable by reason of, any act or omission by you in the conduct of your business, or any claim or judgment arising therefrom. You shall indemnify and hold us, our officers, directors, employees and agents harmless against any and all such claims directly or indirectly from, as a result of, or in connection with your business operations under this Agreement or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

## **12. DISPUTE RESOLUTION**

12.1 Mandatory Mediation. Except as otherwise specifically provided herein, prior to the initiation of litigation by either party pursuant to this Agreement, the parties must make a good faith effort to resolve any controversies between them by non-binding mediation either through a mutually acceptable mediator or through an established mediation service selected by Franchisor (in either case, "Mediator"). Mediation shall take place in the Milwaukee County, Wisconsin. Prior to mediation, each party involved in mediation shall sign the standard confidentiality agreement reasonably required by Mediator or a confidentiality agreement reasonably required by Franchisor if the Mediator does not have a standard confidentiality agreement. No litigation proceeding may be commenced until the earlier of thirty (30) days from the selection of the Mediator, or the mutual agreement by both parties that mediation has been unsuccessful, or if the notified party fails to respond to the requesting party within thirty (30) days of the delivery of notice requesting mediation. The parties will share equally all fees and expenses of the mediator, and each part shall bear its own costs otherwise. Each party hereby agrees that all statements made in the course of mediation shall be strictly confidential, and shall not be disclosed to or shared with any third parties, other than the mediator. Each party also agrees that any documents or data specifically prepared for use in good faith negotiations and/or mediation shall not be disclosed to or shared with any third party except those parties whose presence is necessary to facilitate the mediation process. The parties agree not to make copies of any such documents, and to return them to the other party upon the conclusion of the mediation. Each party agrees and acknowledges that no statements made in, or evidence specifically prepared for mediation shall be admissible for any purpose in any subsequent proceedings. Notwithstanding the foregoing,

Franchisor shall have no obligation to mediate claims that are the subject of Paragraph 12.2 herein.

12.2 Specific Performance; Injunctive Relief. Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to seek the entry of temporary and permanent injunctions and orders of specific performance to: (i) enforce the provisions of this Agreement relating to your use of the Marks and the non-disclosure and non-competition obligations under this Agreement; (ii) prohibit any act or omission by Developer or its Owners that constitutes a violation of any applicable law, ordinance or regulation, constitutes a danger to the public, or may impair the goodwill associated with the Marks or the PetU franchises; (iii) prevent any other irreparable harm to our interests; (iv) enforce your obligations upon termination or expiration of this Agreement; and (v) prohibit an assignment or attempted assignment of any interest in this Agreement or Developer in violation of the applicable provisions of this Agreement. If we obtain an injunction or order of specific performance, you agree to pay us an amount equal to the total of our costs of obtaining it, including, without limitation, reasonable attorneys' fees, expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision. You further agree to waive any claims for damages in the event there is a later determination that an injunction or specific performance order was issued improperly.

12.3 Arbitration. Except for controversies, disputes or claims related to or based on Developer's use of the Marks or Confidential Information, Developer's compliance with its non-competition obligations, all controversies, disputes or claims between Franchisor, its affiliates, and their respective owners, officers, directors, agents, employees and attorneys, and Developer (its affiliates and owners and guarantors, if applicable), arising out of or related to this Agreement or any other agreement between the parties; the parties' rights and obligations under this Agreement; Franchisor's relationship with Developer or the obligations by and between the parties; or the validity of this Agreement or any other agreement between Franchisor and Developer or any provision of such agreements, will be submitted to binding Arbitration administered by the American Arbitration Association ("AAA") in accordance with the AAA's then-current Commercial Arbitration Rules. The arbitration hearing shall take place in Milwaukee County Wisconsin, before a single arbitrator. Any party who fails or refuses to submit any dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration. The parties shall have thirty days after the service of a Statement of Claim and demand for arbitration to agree on a single arbitrator. If the parties cannot agree on a single arbitrator, the matter will be filed with and administered by the AAA, or if AAA is not available, any comparable arbitration body.

12.4 Scope of Arbitration. The arbitrator shall have the right to award or include in the award any relief which he or she deems proper in the circumstances including but not limited to money damages (with interest on unpaid amounts from the date due), specific performance and attorneys' fees and costs, in accordance with this Agreement. THE FOREGOING TO THE CONTRARY NOTWITHSTANDING, THE ARBITRATOR MUST NOT AWARD CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES. THE PARTIES (AND THEIR OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT IN A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction. Franchisor and Developer agree that, in connection with any arbitration proceeding, each shall file any compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates.



## 12.5 Limitations on Proceedings.

(a) Franchisor and Developer agree that arbitration will be conducted on an individual basis only, and not on a joint, collective or class-wide basis, and that an arbitration proceeding between Franchisor and its Affiliates, and Developer and its shareholders, officers, directors, members, managers, employees and agents, may not be consolidated or joined with any other arbitration proceeding between Franchisor and any other person or entity. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Franchisor and Developer. Further, neither Franchisor nor Developer shall attempt to consolidate or otherwise combine in any manner, an arbitration proceeding involving Franchisor and Developer with another arbitration of any kind, nor shall Franchisor or Developer attempt to certify a class or participate as a party in a class action against the other.

(b) The foregoing notwithstanding, in the event Developer controls, is controlled by, or is in active concert with another developer of Franchisor, or there is a guarantor of some or all of Developer's obligations to Franchisor, then the joinder of those parties to any arbitration between Franchisor and Developer shall be permitted, and in all events, the joinder of an owner, director, officer, member, manager, partner or other representative or agent of Franchisor or Developer shall be permitted.

12.6 Governing Law/Consent to Jurisdiction. All arbitration proceedings between Franchisor and Developer shall be governed by the Federal Arbitration Act ("FAA") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) or other federal law, this Agreement shall be interpreted and governed under the laws of the State of Wisconsin and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Wisconsin, which laws shall prevail if there is any conflict of law. Developer and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Developer and/or any affiliate of Developer and Franchisor, its Affiliates and their respective officers, directors, members, managers, and employees, the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Milwaukee County, Wisconsin or in arbitration in Milwaukee County, Wisconsin pursuant to this Article XII, and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Milwaukee County, Wisconsin or to arbitration in Milwaukee County, Wisconsin pursuant to this Article XII. Franchisor, Franchisor's Affiliates, Developer and Developer's Affiliates each waive their rights to a trial by jury.

12.6 Cumulative Remedies. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein, or by law or equity provided or permitted, but each shall be cumulative of any other right or remedy provided in this Agreement.

12.7 Injunctive Relief. Notwithstanding the above arbitration provisions, Franchisor and Developer will each have the right in a proper case to seek injunctive relief and any damages incidental thereto from a court of competent jurisdiction. Developer agrees that Franchisor may obtain this injunctive relief, without posting a bond or bonds in excess of a total of One Thousand Dollars (\$1,000.00), but upon due notice, and Developer's sole remedy in the event of the entry of any injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had; however, all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived by Developer. Any such action will be brought as provided in this Article and the prevailing party shall be entitled to its costs and attorneys' fees.

12.8 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any and all claims and actions arising out of or relating to this Agreement (including, but not limited to, the offer and sale of this franchise), the relationship of Developer and Franchisor, or Developer's Development Schedule, brought by Developer must be commenced within one (1) year from the occurrence of the events giving rise to such claims or action, or such claim or action shall be barred.

12.9 DAMAGES. FRANCHISOR AND DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

12.10 Costs and Attorney's Fees. If a claim for amounts owed by Developer to Franchisor or its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if Developer or Franchisor is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, expert witness fees, court costs and other expenses of litigation, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

### **13. MISCELLANEOUS.**

13.1 Invalid Provisions; Substitution of Valid Provisions. To the extent that any provision of this Agreement is deemed unenforceable, you agree that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that provision under the laws applied in the forum in which we are seeking to enforce it.

13.2 Severability; Construction. The provisions of this Agreement are deemed to be severable. The parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement. All headings of the various Sections and Paragraphs of this Agreement are for convenience only and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable.

13.3 Waiver of Obligations. Either you or the Franchisor may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to our continuing review, and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days prior written notice.

Neither you nor the Franchisor will be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate the Franchise prior to the expiration of its terms), by virtue of any failure, refusal or neglect of either of us to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder.

13.4 Entire Agreement; Modification. This Agreement and all exhibits to this Agreement constitute the entire understanding and agreement between the parties and there are no other oral or written understandings or agreements between the parties, and no oral or written representations by the Franchisor relating to the subject matter of this Agreement, except for those contained in the Franchise Disclosure Document provided to Developer (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this Section is intended as, nor shall it be interpreted to be, a disclaimer by the Franchisor of any representation made in its Franchise Disclosure Documents, including the exhibits and any amendments thereto. Except for modifications permitted to be made unilaterally by us, this Agreement may be modified only by written agreement signed by both you and us.

13.5 Force Majeure. Neither you nor the Franchisor will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform our respective obligations results from: (1) transportation shortages or inadequate supply of labor, material or energy beyond the control of the parties, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war, riot, acts of terrorism, or pandemic; or (6) any other similar event or cause. Any delay resulting from any of the causes set forth above will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable. However, this clause shall not apply or not result in an extension of the term of this Agreement.

13.6 No Liability to Others; No Other Beneficiaries. We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement, and no other party will have, or is intended to have, any rights because of this Agreement. We do not warrant that the obligations of this Agreement have been agreed to by or will be enforced against any of our other developers.

#### **14. SUPERIORITY OF FRANCHISE AGREEMENT**

For each PetU Facility developed in the Development Area, a separate Franchise Agreement shall be executed and the individual franchise fee as prescribed hereunder shall be paid to us. It is understood and agreed by you that any and all Franchise Agreements executed in connection with PetU Facilities developed by you within the Development Area under this Agreement are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Development Area, the Franchise Agreement shall have precedence and superiority over this Agreement.

#### **15. OWNER GUARANTY.**

This Agreement must be personally guaranteed and the obligations hereunder assumed by all of the Owners of the Developer, and all such Owners must execute the Guaranty and Assumption of Obligations which is attached hereto as Exhibit C concurrently with the execution of this Agreement by Developer.

#### **16. ACKNOWLEDGEMENTS**

16.1 You and your Owners affirm that all information you have given to us in any and all applications, financial statements and other submissions is true, complete and accurate in all respects, with you expressly acknowledging that we are relying upon the truthfulness, completeness and accuracy of such

information.

16.2. You have conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in PetU franchises involves business risks and that the success of the venture is primarily dependent upon your business abilities and efforts, your active participation in the operation of the business, and other factors beyond our control.

**17. EXECUTION OF AGREEMENT.**

This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement on the dates set forth below each signature.

**FRANCHISOR:**  
**PETU FRANCHISING, INC.**  
A Wisconsin corporation

**DEVELOPER:**  
**[ENTITY NAME]**  
A \_\_\_\_\_

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

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

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT A TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**

**DESCRIPTION OF DEVELOPMENT AREA**

*[Insert description]*

**FRANCHISOR:**  
**PETU FRANCHISING, INC.**  
A Wisconsin corporation

**DEVELOPER:**  
**[ENTITY NAME]**  
A \_\_\_\_\_

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

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

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT B TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

Developer is obligated under this Agreement to develop, open and operate a minimum of three (3) PetU Facilities. On or before the date set forth below, Developer is obligated by this Agreement to have signed Franchise Agreements, signed leases or purchase agreements, and commenced operating PetU Facilities:

<u>Last date for Execution of Franchise Agreement</u>	<u>Last date for Execution of Lease or Purchase Agreement for Franchisor Approved Site</u>	<u>Date for Commencement of Operations</u>
<u>Upon the execution of this Agreement</u>	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**FRANCHISOR:**  
**PETU FRANCHISING, INC.**  
A Wisconsin corporation

**DEVELOPER:**  
**[ENTITY NAME]**  
A \_\_\_\_\_

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

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

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

## EXHIBIT C TO THE MULTI-UNIT DEVELOPMENT AGREEMENT

THIS GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS ("Guaranty") is made as of \_\_\_\_\_, 20\_\_, in consideration of, and as an inducement to, the execution of the Franchise Agreement by PETU FRANCHISING, INC., a Wisconsin corporation ("Franchisor"). In consideration thereof, each of the undersigned hereby jointly and severally, personally and unconditionally agrees as follows:

1. **Guaranty.** Guarantor(s) hereby unconditionally and absolutely warrants and guarantees to Franchisor that \_\_\_\_\_ ("Developer") shall punctually pay and perform in full each and every undertaking, agreement and covenant set forth in the Franchise Agreement;

2. **Obligations of Guarantor Upon Event of Default.** Should a Default (as defined in the Franchise Agreement) occur, Guarantor(s) shall diligently proceed to cure such Default at Guarantor's sole cost and expense;

3. **Nature of Guaranty.** This Guaranty is an original and independent obligation of Guarantor(s), separate and distinct from Developer's obligations to Franchisor under the Multi-Unit Development Agreement. The obligations of Guarantor to Franchisor under this Guaranty are direct and primary, regardless of the validity or enforceability of the Franchise Agreement. This Guaranty is for the benefit of Franchisor and is not for the benefit of any third party. This Guaranty shall continue until all obligations of Guarantor to Franchisor under this Guaranty have been performed in full.

4. **Guarantor's Authorization to Franchisor.** Guarantor(s) authorizes Franchisor, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (a) to make or approve changes to the Franchise Agreement; (b) to repeatedly compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Franchise Agreement; (c) to take and hold security for the payment of amounts due under the Franchise Agreement or this Guaranty, and exchange, enforce, waive, and release any such security, with or without the substitution of new collateral; (d) to determine how, when, and what application of payments and credits shall be made on amounts due under the Franchise Agreement; and (j) to assign or transfer this Guaranty, in whole or in part.

5. **Guarantor's Representations and Warranties.** Guarantor(s) represents and warrants to Franchisor that: (a) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (b) this Guaranty is executed at Developer's request and Franchisor would not execute the Franchise Agreement were it not for the execution and delivery of this Guaranty; (c) Guarantor has not and will not, without the prior written consent of Franchisor, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all, or substantially all, of Guarantor's assets, or any interest therein if any such event would have a material negative effect on Guarantor's ability to perform its obligations under this Guarantor or the Franchise Agreement; (d) neither the execution nor the delivery of this Guaranty, nor compliance with the terms hereof, will conflict with or result in the breach of any law or statute, will constitute a breach or default under any agreement or instrument to which Guarantor may be a party, or will result in the creation or imposition of any charge or lien upon any property or assets of Guarantor; (e) Franchisor has made no representation to Guarantor as to the creditworthiness of Guarantor; and (f) Guarantor has established adequate means of obtaining from Developer, on a continuing basis, information regarding Developer's financial condition. Guarantor agrees to keep adequately informed

of any facts, events or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information from Guarantor, Franchisor shall have no obligation to disclose to Guarantor any information or documents acquired by Franchisor in the course of its relationship with Developer.

6. **Guarantor's Waivers.** Except as prohibited by applicable law, Guarantor waives any right to require Franchisor: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any amount due to Franchisor under the Franchise Agreement or related to any security agreement; (b) to resort for payment or to proceed direction or at once against any person, including Guarantor or any other guarantor; (c) to proceed directly against or exhaust any collateral held by Franchisor against Developer, any other guarantor or any other person; (d) to give notice of the terms, time and place of any public or private sale of personal property security held by Franchisor from Developer, except as required under applicable provisions of the Uniform Commercial Code; or (e) to pursue any other remedy within Franchisor's power.

Guarantor also waives any and all rights or defenses arising by reason of (a) any "one action" or "anti-deficiency" law or any other law which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (b) any election of remedies by Franchisor which, until Developer's indebtedness is paid in full, destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Developer for reimbursement, including, without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging any payments due to Franchisor under the Franchise Agreement; (c) any disability or other defense of Guarantor, or any other guarantor, or of any other person, or by reason of the cessation of Guarantor's liability from any cause whatsoever, other than payment in full in legal tender of any amount due from Developer to Franchisor; (d) any failure or invalidity of, or any defect in, the Franchise Agreement or Multi-Unit Development Agreement; (e) any right to claim discharge of any amounts due to Franchisor on the basis of unjustified impairment of any collateral for any payments due; or (f) any statute of limitations, if at any time any action or suit brought by Franchisor against Guarantor is commenced there is outstanding payment due to Franchisor by Developer which is not barred by any application statute of limitations.

Until all amounts due and owing to Franchisor by Developer are paid in full, Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment, or similar right, whether such claim, demand, or right, may be asserted by Developer, Guarantor, or both.

7. **Guarantor's Understanding with Respect to Waivers.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of the significance and consequences thereof, and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law.

8. **Rights and Remedies.** If Guarantor shall fail to perform promptly as provided in this Guaranty, Franchisor shall have the following rights and remedies:

- (a) **Perform Work.** Franchisor may, at its option, proceed to perform on behalf of Guarantor any and all work related to the Franchise Business (as that term is described in the Franchise Agreement) and to pay any costs incurred in



connection with the work. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.

- (b) Cure Defaults. Franchisor may, but without any obligation to do so, cure any defaults, including without limitation, paying any unpaid bills and liens, including without limitation those for construction, labor, and materials. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (c) Specific Performance. From time to time and without first requiring performance on the part of Developer and without being required to exhaust any security held by Franchisor, to require Guarantor specifically to perform Guarantor's obligations under this Guaranty, by action at law or in equity or both, and further, to collect in any such action, compensation for all loss, cost, damage, injury and expense sustained or incurred by Franchisor as a direct or indirect consequence of Guarantor's failure to perform, with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (d) Other Rights and Remedies. In addition, Franchisor shall have and may exercise any or all of the rights and remedies it may have available at law, in equity, or otherwise.

9. **Subordination of Developer's Debt to Guarantor.** Guarantor agrees that, until full payment of the amounts due to Franchisor from Developer under the Franchise Agreement, these amounts, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Developer, whether or not Developer becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Developer, upon any account whatsoever, to any claim that Franchisor may now or hereafter have against Developer. In the event of insolvency and consequent liquidation of the assets of Developer through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Developer applicable to the payment of the claims of both Franchisor and Guarantor shall be paid to Franchisor and shall be first applied by Franchisor to the amounts due to Franchisor from Developer. Guarantor does hereby assign to Franchisor all claims which they may have or acquire against Developer or against any assignee or trustee in bankruptcy of Developer; provided however, that such assignment shall be effective only for the purpose of assuring to Franchisor full payment of all amounts due under the Franchise Agreement. Guarantor agrees, and Franchisor is hereby authorized, in the name of Guarantor and from time to time, to execute and file financing statements and continuation statements and to execute such other documents and to take such other actions as Franchisor deems reasonably necessary or appropriate under applicable law to perfect, preserve and enforce its rights under this Guaranty.

10. **Miscellaneous Provisions.** The following miscellaneous provisions are a part of this Guaranty:

- (a) Amendments. This Guaranty, together with any related documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of, or amendment to, this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound with the alteration or amendment.
- (b) Attorneys' Fees; Expenses. Guarantor agrees to pay, upon demand, all of Franchisor's costs and expenses, including Franchisor's reasonable attorneys' fees and Franchisor's legal expenses, incurred in connection with the enforcement of this Guaranty. Franchisor may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Franchisor's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.
- (c) Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.
- (d) Governing Law. This Guaranty will be governed by, construed and enforced in accordance with, federal law and the laws of the State of Wisconsin. This Guaranty has been accepted by Franchisor in the State of Wisconsin.
- (e) Choice of Venue. If there is a lawsuit, Guarantor agrees, upon Franchisor's request, to submit to the jurisdiction of the courts of the State of Wisconsin.
- (f) No Waiver by Franchisor. Franchisor shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Franchisor. No delay or omission on the part of Franchisor in exercising any right shall operate as a waiver of such right or any other right. A waiver by Franchisor of a provision of this Guaranty shall not prejudice or constitute a waiver of Franchisor's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, shall constitute a waiver of any of Franchisor's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Franchisor is required under this Guaranty, the granting of such consent by Franchisor in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Franchisor.
- (g) Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified mail, postage prepaid, and addressed as prescribed in the

Franchise Agreement and as disclosed in the Statement of Ownership attached thereto.

Any party may change its address for notices under this Guaranty by giving formal written notice in accordance herewith, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

- (h) Severability. If a court of competent jurisdiction finds any provision of this Guaranty to be illegal, invalid or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstances. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Guaranty. Unless otherwise required by law, the illegality, invalidity or unenforceability of any provision of this Guaranty shall not affect the legality validity or enforceability of any other provision of this Guaranty.
- (i) Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interests, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Guarantor, Franchisor, without notice to Guarantor, may deal with Guarantor's successors with reference to this Guaranty and the Loan by way of forbearance or extension without releasing Guarantor from the obligations of this Guaranty or liability for payments due under the Franchise Agreement.

11. Definitions. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code.

- (a) Developer. The word "**Developer**" means \_\_\_\_\_, and all other persons and entities signing the Franchise Agreement in whatever capacity.
- (b) Guarantor. The word "**Guarantor**" means each and every person or entity signing this Guaranty.
- (c) Franchisor. The word "**Franchisor**" means PETU FRANCHISING, INC., its successors and assigns.

[remainder of page intentionally left blank]

THE UNDERSIGNED GUARANTOR(S) ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO FRANCHISOR. NO FORMAL ACCEPTANCE BY FRANCHISOR IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED AS OF \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Developer: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Developer: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

Percentage ownership must equal 100

## **EXHIBIT D TO MULTI-UNIT DEVELOPMENT AGREEMENT**

### **STATE ADDENDUM**

Some administrators of franchise registration states may require us to enter into an addendum to the Multi-Unit Development Agreement describing certain state laws or regulations which may supersede the Multi-Unit Development Agreement. If you are in a registration state which requires an Addendum to this Multi-Unit Development Agreement, it will follow this page.

## **Exhibit G**

### **STATE ADDENDUM**

Some administrators of franchise regulations states may require us to enter into an addendum to the Disclosure Document and/or the Franchise Agreement describing certain state laws or regulations which may supersede the Disclosure Document or Franchise Agreement. If you are in a registration state which requires an addendum, it will be found in this exhibit.

**PETU FRANCHISING, LLC**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF ILLINOIS**

The Franchise Disclosure Document of PetU Franchising, LLC for use in the State of Illinois is modified in accordance with the following:

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 rights 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 of Illinois is void.

A National Account customer is a customer responsible for a business in more than one location. The franchisor has the exclusive right to negotiate and enter into agreements to provide services to National Account customers. You may be offered the opportunity to service a National Account. If you decline or are unable to service the account, the franchisor, an affiliate or another franchisee may provide the service with no compensation to you.

The Office of the Illinois Attorney General requires the Franchisor or affiliates to defer all initial franchise fees until such time as the Franchisor or affiliates have completed all initial obligations owed to the Franchisee under the Franchise Agreement and the Franchisee has commenced doing business. This deferral of the initial franchise fee is required based on the Franchisor's financial condition.

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

**PETU FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF ILLINOIS**

This addendum to the Franchise Agreement is agreed to between PETU FRANCHISING, INC. (Franchisor) and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

1. Paragraph 17(J) (waiver of punitive damages). is hereby modified by adding the following to the end thereof:

However, the waiver in this paragraph 17(J) relating to punitive damages shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 200.609.

2. Section 17(M) of the Franchise Agreement is hereby modified by adding the following paragraph:

"Nothing contained in Section 17(M) of the Franchise Agreement shall constitute a waiver under the Illinois Franchise Disclosure Act."

3. The following provisions are added to the Franchise Agreement and replace any provisions that are in conflict with the following:

Illinois law governs the franchise agreements.

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 rights 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 of Illinois is void.

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



5. The Office of the Illinois Attorney General requires the Franchisor or affiliates to defer all initial franchise fees until such time as the Franchisor or affiliates have completed all initial obligations owed to the Franchisee under the Franchise Agreement and the Franchisee has commenced doing business. This deferral of the initial franchise fee is required based on the Franchisor's financial condition.

6. A National Account customer is a customer responsible for a business in more than one location. The franchisor has the exclusive right to negotiate and enter into agreements to provide services to National Account customers. You may be offered the opportunity to service a National Account. If you decline or are unable to service the account, the franchisor, an affiliate or another franchisee may provide the service with no compensation to you.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the date below the signatures.

**PETU FRANCHISING,  
INC.,** a Wisconsin corporation

**FRANCHISEE:**

\_\_\_\_\_  
[Insert individual name or company]

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

**PETU FRANCHISING, INC.**  
**ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF ILLINOIS**

This addendum to the Multi-Unit Development Agreement is agreed to between PETU FRANCHISING, INC. (Franchisor) and \_\_\_\_\_ (Developer) to amend said Agreement as follows:

1. Paragraph 12.9 (waiver of punitive damages). is hereby modified by adding the following to the end thereof:

However, the waiver in this paragraph 12.9 relating to punitive damages shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 200.609.

2. Section 13.4 of the Multi-Unit Development Agreement is hereby modified by adding the following paragraph:

"Nothing contained in Section 13.4 of the Franchise Agreement shall constitute a waiver under the Illinois Franchise Disclosure Act."

3. The following provisions are added to the Multi- Unit Development Agreement and replace any provisions that are in conflict with the following:

Illinois law governs the multi-unit development 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 rights 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 of Illinois is void.

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

5. The Office of the Illinois Attorney General requires the Franchisor or affiliates to defer all initial franchise fees until such time as the Franchisor or affiliates have completed all initial obligations owed to the Franchisee under the Franchise Agreement and the Franchisee has commenced doing business. This deferral of the initial franchise fee is required based on the Franchisor's financial condition.

6. A National Account customer is a customer responsible for a business in more than one location. The franchisor has the exclusive right to negotiate and enter into agreements to provide services to National Account customers. You may be offered the opportunity to service a National Account. If you decline or are unable to service the account, the franchisor, an affiliate or another franchisee may provide the service with no compensation to you.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the date below the signatures.

**PETU FRANCHISING,  
INC.,** a Wisconsin corporation

**DEVELOPER:**

\_\_\_\_\_  
[Insert individual name or company]

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

**PETU FRANCHISING, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF WISCONSIN**

This Addendum is agreed by and between PETU FRANCHISING, INC. and \_\_\_\_\_ (Franchisee) to amend said Agreement by including the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

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

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective as of the date below the signatures.

**PETU FRANCHISING,  
INC.**, a Wisconsin corporation

**FRANCHISEE:**

\_\_\_\_\_  
[Insert individual name or company]

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

**PETU FRANCHISING, INC.**  
**ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF WISCONSIN**

This Addendum is agreed by and between PETU FRANCHISING, INC. and \_\_\_\_\_ (Developer) to amend said Agreement by including the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

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

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective as of the date below the signatures.

**PETU FRANCHISING,  
INC.**, a Wisconsin corporation

**DEVELOPER:**

\_\_\_\_\_  
[Insert individual name or company]

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

**Exhibit H**

**TABLE OF CONTENTS OF OPERATIONS MANUAL**

# PetU Franchise Operations Manual

## Table of Contents

### SECTION A: INTRODUCTION

WELCOME LETTER FROM THE FOUNDERS .....	1
HISTORY OF PETU .....	2
SERVICES PROVIDED TO FRANCHISEE.....	3
Advertising Materials and Sales Aids ◀ .....	3
Approved Suppliers ◀ .....	3
Corporate Website ◀ .....	3
Design Assistance ◀ .....	4
Designated Territory ◀ .....	4
Initial Training ◀ .....	4
Ongoing Training and Support ◀ .....	4
On-Site Assistance ◀ .....	5
Site Selection Assistance ◀ .....	5
Use of Trademarks ◀ .....	5
RESPONSIBILITIES OF THE PETU FRANCHISEE.....	6
Responsibilities to Your Customers ◀.....	6
Responsibilities to Your Employees ◀ .....	6
Responsibilities to Your Fellow Franchisees ◀.....	7
Responsibilities to the Franchisor ◀ .....	8
VISITS FROM THE CORPORATE OFFICE .....	9
PAYING OTHER FEES.....	10
Additional Operating Assistance ◀ .....	10
Additional Trainees Attending	
Training Program ◀ .....	10
Audit ◀ .....	10
Costs and Attorneys' Fees ◀ .....	10
Cross-Territory Fee ◀ .....	11
Customer Resolution Fee ◀ .....	11
De-Identification Expenses ◀ .....	11
Indemnification ◀.....	11
Insufficient Funds ◀.....	11
Insurance ◀.....	11
Late Report Fee ◀.....	12
Management Fee ◀ .....	12
Mystery Shopper ◀.....	12
National Account Administrative	
Services Fee ◀ .....	12
Non-Compliance Fee ◀ .....	13
On-Site Evaluation ◀ .....	13
Product or Supplier Review ◀.....	13

Relocation Fee ◀ .....	13
Successor Fee ◀ .....	13
System Modifications ◀ .....	13
Technology Fee ◀ .....	13
Transfer Fee ◀ .....	14

### SECTION B: PRE-OPENING PROCEDURES

PRE-OPENING CHECKLIST .....	1
ESTABLISHMENT OF BUSINESS FORM .....	2
DEVELOPING YOUR SITE.....	3
Site Criteria ◀ .....	3
Space Requirements ◀ .....	3
Gaining Site Acceptance ◀.....	3
Lease Considerations ◀.....	4
Gaining Zoning Approval ◀ .....	4
BUILDING-OUT THE FACILITY .....	5
REQUIRED LIST OF EQUIPMENT .....	6
INITIAL INVENTORY .....	7
SIGNAGE AND LOGO SPECIFICATIONS.....	8
CONTRACTING WITH REQUIRED	
UTILITIES AND SERVICES .....	9
OBTAINING REQUIRED LICENSES AND PERMITS.....	11
SETTING UP BANK ACCOUNTS .....	13
Accounts to Open ◀ .....	13
PROCURING REQUIRED INSURANCE POLICIES.....	14
MEETING YOUR TAX OBLIGATIONS.....	16
Employer Identification Number ◀ .....	16
Federal Taxes ◀.....	16
State and Local Taxes ◀ .....	17
CONDUCTING A GRAND OPENING .....	18

### SECTION C: HUMAN RESOURCES

HELPFUL LINKS/RESOURCES.....	1
EEOC GUIDELINES FOR HIRING EMPLOYEES.....	3
Employers Covered by EEOC-Enforced Laws ◀ .....	3
How Employees Are Counted ◀.....	5
Record Keeping Requirements ◀ .....	5
Reporting Requirements ◀ .....	5
Charge Processing Procedures ◀.....	6
Mediation ◀.....	6

# PetU Franchise Operations Manual

## Table of Contents

Remedies ◀ .....	7	Required Forms – Agreements and Waivers ◀ .....	37
Regulatory Enforcement Fairness Act ◀ .....	7	Use of an Employment Agreement ◀ .....	37
Technical Assistance ◀ .....	8	Review of Handbook/Policies ◀ .....	38
Informal Guidance ◀ .....	8	Facility Tour ◀ .....	38
Publications ◀ .....	8	<b>TRAINING EMPLOYEES</b> .....	<b>39</b>
<b>WAGE AND LABOR LAWS</b> .....	<b>9</b>	Training Tips ◀.....	39
Fair Labor Standards Act ◀ .....	9	Initial Training ◀ .....	40
What the FLSA Requires ◀.....	9	Training Checklists ◀ .....	40
What the FLSA Does Not Require ◀.....	11	Ongoing Training ◀ .....	40
FLSA Minimum Wage Poster ◀ .....	12	<b>PERSONNEL POLICIES</b> .....	<b>41</b>
Other Mandatory Labor Law Posters ◀ .....	12	<b>TIME-TRACKING PROCEDURES</b> .....	<b>44</b>
<b>LAWS REGARDING HARASSMENT</b> .....	<b>14</b>	<b>UNIFORM AND DRESS CODE</b> .....	<b>45</b>
Sexual Harassment ◀ .....	14	<b>CONDUCTING PERFORMANCE EVALUATIONS</b> .....	<b>46</b>
Racial and Ethnic Harassment ◀ .....	14	Evaluation Process ◀.....	47
Pregnancy Discrimination ◀ .....	15	Review Meeting ◀.....	47
Religious Accommodation ◀.....	15	<b>PROGRESSIVE DISCIPLINE</b> .....	<b>49</b>
<b>IMMIGRATION REFORM/CONTROL ACT</b> .....	<b>16</b>	<b>TERMINATION/SEPARATION</b> .....	<b>52</b>
<b>AMERICANS WITH DISABILITIES ACT (ADA)</b> .....	<b>17</b>	Termination ◀ .....	52
Who is Protected? ◀ .....	17	Resignation ◀.....	54
Ensuring Compliance ◀.....	18	<b>SECTION D: DAILY OPERATING PROCEDURES</b>	
ADA Survey and Enhancements ◀ .....	18	<b>SUGGESTED HOURS OF OPERATION</b> .....	<b>1</b>
ADA Resources ◀ .....	18	<b>DAILY PROCEDURES</b> .....	<b>2</b>
<b>PROFILE OF THE IDEAL PETU EMPLOYEE</b> .....	<b>19</b>	Use of Checklists ◀ .....	2
<b>RECRUITING EMPLOYEES</b> .....	<b>20</b>	<b>CUSTOMER SERVICE</b> .....	<b>5</b>
Determining Hiring Needs ◀ .....	21	Customer Service Philosophy ◀ .....	5
Pre-Screening ◀ .....	22	Handling Calls ◀ .....	6
<b>THE INTERVIEW PROCESS</b> .....	<b>24</b>	Communicating with Customers ◀.....	7
Sample Interview Questions ◀ .....	27	Communicating with Dogs ◀ .....	8
Reference Checks ◀ .....	28	Customer Retention ◀ .....	8
Criminal Background Checks ◀.....	28	Handling Customer Complaints ◀ .....	9
Making the Job Offer ◀ .....	28	High-Risk Dogs ◀ .....	10
<b>HIRING ON A TRIAL PERIOD</b> .....	<b>30</b>	<b>DOG EVALUATIONS</b> .....	<b>11</b>
<b>JOB DESCRIPTIONS</b> .....	<b>31</b>	Temperament Test ◀.....	11
Manager ◀ .....	31	Report Cards ◀.....	12
Lead Dog Handler ◀ .....	32	Daily Body Check ◀ .....	14
Dog Handler ◀ .....	33	<b>RECEPTION PROCEDURES</b> .....	<b>16</b>
Trainer ◀ .....	34	Use of Gingr ◀.....	16
Front Desk Associate ◀ .....	35	Scheduling Services ◀.....	16
<b>ORIENTING NEW EMPLOYEES</b> .....	<b>37</b>	Check In Procedures ◀.....	16
Welcome Packet ◀.....	37		



# PetU Franchise Operations Manual

## Table of Contents

Check Out Procedures ◀ .....	20	Retail/Merchandising ◀.....	55
Deposits / Prepayment ◀ .....	21	Maintenance Checks ◀.....	56
Accepting Payment ◀ .....	22	<b>SAFETY AND SECURITY .....</b>	<b>57</b>
End-of-Day Reconciliation ◀ .....	23	General Safety Rules ◀.....	57
<b>DAYCARE AND BOARDING PROCEDURES.....</b>	<b>24</b>	Electrical Safety ◀.....	59
Boarding - Cage-Free ◀ .....	24	Fire Safety ◀ .....	59
Boarding - Private Suites ◀.....	25	Natural Disasters ◀ .....	61
Daycare Schedule ◀.....	25	Robbery ◀ .....	62
Proper Conduct – Daycare ◀.....	26	Power Failure ◀ .....	64
Communication Standards – Daycare ◀.....	27	Preventing Falls ◀.....	64
Using Walkie Talkies ◀ .....	28	<b>SECTION E: MANAGEMENT</b>	
Preparing Boarding Bins ◀.....	29	<b>MANAGING THE CUSTOMER EXPERIENCE .....</b>	<b>1</b>
Feeding and Medication Procedures ◀.....	30	<b>MANAGING EMPLOYEES.....</b>	<b>2</b>
Dog Cubbies ◀.....	31	Communicating with Staff ◀.....	2
Separating Dogs ◀ .....	31	Hosting Employee Meetings ◀.....	2
Dog Walking ◀ .....	32	Motivating Employees ◀ .....	3
The bark! Bus Shuttle ◀.....	32	<b>PRICING .....</b>	<b>4</b>
<b>GROOMING .....</b>	<b>34</b>	Pricing Philosophy ◀.....	4
Grooming Options ◀.....	35	Packages ◀ .....	4
Grooming Appointments ◀.....	36	Discounts ◀.....	4
Appointment Reminders – Courtesy Calls ◀.....	36	<b>USING MANAGEMENT FUNCTIONS OF PETEXEC .....</b>	<b>5</b>
<b>TRAINING .....</b>	<b>38</b>	<b>GENERATING REPORTS.....</b>	<b>6</b>
Daycare & Training (DC&T) ◀ .....	38	Daily Reports ◀ .....	6
Board & Train (B&T) ◀.....	39	Weekly Reports ◀ .....	6
Single Day Daycare Lessons ◀ .....	42	Monthly Reports ◀ .....	6
Private In- Home ◀ .....	43	<b>CASH CONTROL .....</b>	<b>7</b>
AKC CGC Certification Exam ◀ .....	43	Reconciling Cash Drawers ◀ .....	7
<b>DOG/STAFF SAFETY .....</b>	<b>44</b>	Managing Petty Cash ◀ .....	7
Common Daycare Risks ◀ .....	44	Loss Prevention ◀.....	7
Separating Dogs ◀ .....	44	Performing Bank Deposits ◀.....	7
Pet First Aid ◀.....	45	<b>INVENTORY MANAGEMENT.....</b>	<b>8</b>
Handling Dog Injuries ◀ .....	45	Ordering Procedures ◀ .....	8
Staff Injuries ◀.....	46	Using Designated and Approved	
Sick Dogs / Dismissal ◀ .....	48	Sources of Supply ◀.....	9
Workers' Compensation ◀ .....	51	Receiving Procedures ◀ .....	9
<b>REQUIRED CLEANING AND MAINTENANCE .....</b>	<b>53</b>	Putting Away Inventory ◀.....	10
Waste Management ◀.....	53	Conducting Physical Inventory ◀ .....	13
Measurement Guides and		<b>FRANCHISE REPORTING.....</b>	<b>14</b>
Cleaning Procedures ◀ .....	54	Royalty ◀.....	14
Daily Cleaning ◀.....	54		

# PetU Franchise Operations Manual

## Table of Contents

Making Your Advertising Contributions ◀ .....	14	USING REFERRALS TO BUILD BUSINESS .....	4
Financial Statements ◀ .....	15	REQUIRED ADVERTISING EXPENDITURES .....	5
<b>SECTION F: SALES PROCEDURES</b>		Systemwide Advertising Expenditure ◀ .....	5
RECEIVING INCOMING CALLS ..... ERROR! BOOKMARK NOT DEFINED.		Local Marketing Requirement ◀ .....	5
Phone Etiquette ◀ .....	Error! Bookmark not defined.	Grand Opening Marketing ◀ .....	5
Typical Questions and Their Answers ◀	Error! Bookmark not defined.	PUBLIC RELATIONS/COMMUNITY INVOLVEMENT.....	6
Setting-Up On-Site Visits ◀	Error! Bookmark not defined.	OBTAINING ADVERTISING APPROVAL.....	7
HANDLING WALK-INS .. ERROR! BOOKMARK NOT DEFINED.		<b>APPENDICES:</b>	
Typical Questions and Their Answers ◀	Error! Bookmark not defined.	EMPLOYEE TRAINING	
Providing PetU Tour ◀	Error! Bookmark not defined.	EQUIPMENT AND INVENTORY	
SALES PHILOSOPHY .... ERROR! BOOKMARK NOT DEFINED.		FORMS AND SAMPLES	
SELLING SERVICES..... ERROR! BOOKMARK NOT DEFINED.			
Selling Daycare ◀ .....	Error! Bookmark not defined.		
Selling Grooming ◀ .....	Error! Bookmark not defined.		
Selling Training ◀ .....	Error! Bookmark not defined.		
Selling Boarding ◀ .....	Error! Bookmark not defined.		
Selling Add-Ons ◀ .....	Error! Bookmark not defined.		
Full-Time vs. Part-Time ◀	Error! Bookmark not defined.		
SELLING RETAIL PRODUCTS ..... ERROR! BOOKMARK NOT DEFINED.			
Features and Benefits ◀	Error! Bookmark not defined.		
Competitive Advantages ◀	Error! Bookmark not defined.		
ONBOARDING NEW CUSTOMERS ERROR! BOOKMARK NOT DEFINED.			
Required Agreements and Waivers ◀	Error! Bookmark not defined.		
Entering New Customers into PetExec ◀	Error! Bookmark not defined.		
<b>SECTION G: MARKETING AND PROMOTION</b>			
PROMOTING PETU IN YOUR AREA .....	1		
Use of Traditional Marketing ◀ .....	1		
Use of Digital Media ◀ .....	1		
Use of Social Media ◀ .....	2		
Use of Flyers ◀ .....	2		
GUIDELINES FOR USING PETU'S MARKS.....	3		

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	Not registered
Hawaii	Not registered
Illinois	Pending
Indiana	Not registered
Maryland	Not registered
Michigan	Not registered
Minnesota	Not registered
New York	Not registered
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Not registered
Washington	Not registered
Wisconsin	Pending

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

COPY FOR YOU

**RECEIPT**

THIS DISCLOSURE DOCUMENT SUMMARIZED PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

If we offer you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding Agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

If we do 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, D.C. 20580 and the appropriate state agency identified in Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: Angela Trzcinski, 8200 S. 68<sup>th</sup> St., Franklin, Wisconsin 53132, (414) 412-1496.

***and check and fill in as applicable***

\_\_\_\_\_

Issuance date: September 6, 2023, as amended October 5, 2023

See Exhibit A for our registered agents authorized to receive service of process.

I have received the PetU Franchise Disclosure Document issued on September 6, 2023, as amended October 5, 2023. This disclosure document included the following exhibits:

- A. List of State Agencies/Agents for Service of Process
- B. Franchise Agreement (with exhibits)
- C. Franchisee Disclosure Acknowledgement Statement
- D. Financial Statements
- E. Lists of Current and Former Franchisees
- F. Multi-Unit Development Agreement
- G. State Addendum (if applicable)

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

\_\_\_\_\_  
Individually or as an officer or member/manager of

\_\_\_\_\_  
a (\_\_\_\_\_) corporation

or (\_\_\_\_\_) limited liability company

**RECEIPT**

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- H. Table of Contents of Operations Manual

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

\_\_\_\_\_  
Individually or as an officer or member/manager of

\_\_\_\_\_

a (\_\_\_\_\_) corporation

or (\_\_\_\_\_) limited liability company